

APPRAISAL COVER SHEET

TYPE OF REPORT: Appraisal for Market Value

EXCESS LAND NO.: L-C-007

OWNER'S NAME: Arizona Department of Transportation

LOCATION OF PROPERTY: Section 03, Township 3 North, Range 3 East  
Maricopa County, Arizona

PROJECT: H555103R

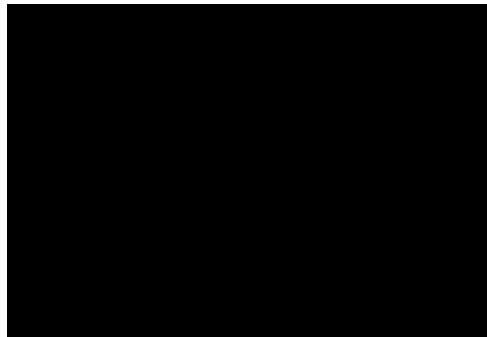
HIGHWAY: SQUAW PEAK HIGHWAY

SECTION: 26<sup>th</sup> Street - Shea Boulevard

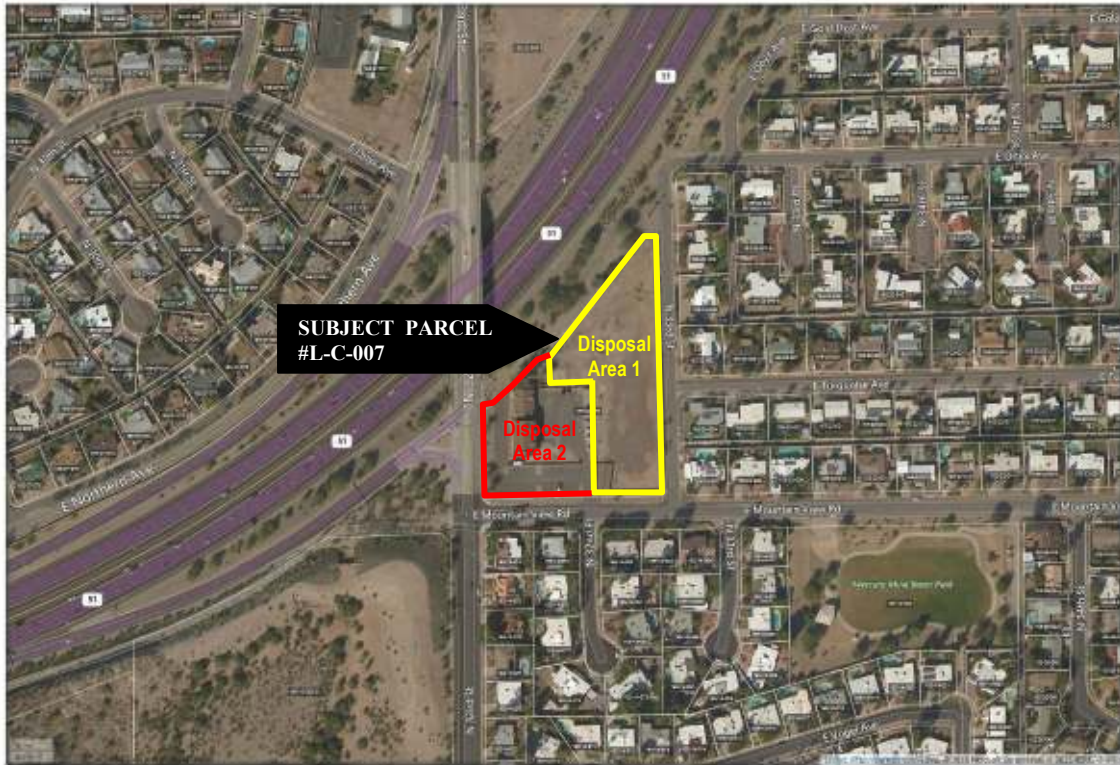
DATE OF APPRAISAL REPORT: June 23, 2016

EFFECTIVE DATE OF VALUE: March 24, 2016

APPRAISERS:



**AERIAL VIEW OF SUBJECT LARGER PARCEL  
ADOT EXCESS LAND L-C-007**





June 23, 2016

Mr. Steve Troxel, C.P.M., A.P.P.  
Procurement Specialist  
Arizona Department of Transportation  
Right of Way Operations Section - Consultant Contracts  
206 South 17<sup>th</sup> Avenue, Room 331, Mail Drop 612E  
Phoenix, AZ 85007-3296

RE: Appraiser's File No.: 16-048-L; ADOT Parcel No.: #L-C-007; Project H555103R;  
Section: Squaw Peak Highway - 26<sup>th</sup> Street – Shea Boulevard

Dear Mr. Troxel:

At your request, we have provided our market value opinion for the above-referenced subject property located on the north side of Mountain View Road, at the northeast corner of S.R. 51 and 32<sup>nd</sup> Street in the City of Phoenix, Maricopa County, Arizona.

According to the Maricopa County Assessor's records, the subject property consists of a 10,108 square-foot office building that was originally used as a charter school. According to the appraisers' measurements, the building area consists of 11,075 square feet, including approximately 3,153 square feet of partially finished interior storage space. This appraisal relies on the appraisers' measurements. The Maricopa County Assessor identifies the parcel as APN #165-22-093, with a site area of 178,903 square feet, or 4.107 acres. However, the site is owned by the client, Arizona State Department of Transportation (ADOT), who has split the site into two separate areas for disposition purposes, identified as follows:

Disposal Area 1:	101,879.94 square feet of vacant land
Disposal Area 2:	2-story office building with 11,075 square feet of building area on 69,955.79 square feet of land
Combined Land Area:	171,835.73 Square Feet, or 3.945 Acres

The improvements located in Disposal Area 2 have been used for records storage for several years and the Arizona State Department of Transportation has determined the subject to be excess holdings. In accordance with the client's instructions, we have provided separate valuations for the identified disposal areas. As such, this appraisal report is divided into two sections: Disposal Area 1 and Disposal Area 2.

The parent parcel is located in two zoning districts in the City of Phoenix. Approximately 11,000 square feet of Disposal Area 1 are located in the C-2, Intermediate Commercial, zoning district. The remainder of Disposal Area 1, or approximately 90,880 square feet, is located in R1-10. All of Disposal Area 2 is located in the C-2, Intermediate Commercial, zoning district. The surrounding area is residential with an overall density of 3.5 to 5.0 dwelling units per acre, according to the City of Phoenix General Plan. As such, the most likely highest and best use for Disposal Area 1, as vacant, is residential, or a quasi-residential use such as day-care, assisted living, or a community park. The improvements in Disposal Area 2 are in need of renovation to be suitable for any future use. Given the surrounding low density residential use, low-intensity office or special purpose use with renovation, or redevelopment to in-fill residential use is most likely.

The purpose of this appraisal is to provide market value opinions for the subject properties, as of March 24, 2016, the date of the property inspection. The intended use of the appraisal is to provide a basis of value with which to establish a minimum bid price for potential disposition. Pursuant to Arizona Revised Statute 28-7091:

“...‘Market Value’ means the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements which the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.”

This appraisal report is intended to comply with the reporting requirements set forth under the *Uniform Standards of Professional Appraisal Practice* promulgated by the Appraisal Standards Board of the Appraisal Foundation. Further, this appraisal is intended to comply with the appraisal guidelines set forth by the Arizona Department of Transportation.

Based upon the data, analyses, opinions and conclusions contained in this report, our market value opinions, as of March 24, 2016 are as follows:

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 1, AS OF MARCH 24, 2016 ..... \$670,000**  
*The above market value is equal to \$6.58 per square foot,  
based on a site size of 101,879.94 square feet*

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 2, AS OF MARCH 24, 2016..... \$670,000**  
*The above market value is equal to \$63.16 per square foot of building area,  
based on a gross building area of 11,075 square feet*

**Extraordinary Assumption:**

An Extraordinary Assumption is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions (USPAP, 2016-2017 ed.)<sup>1</sup>

The following are extraordinary assumptions relative to this appraisal:

- 1) The client provided no environmental clearance package for the subject. ***It is an assumption of this appraisal that there are no environmental issues that would adversely impact value.***
- 2) ***It is an assumption of this appraisal that all mechanical, plumbing, and roofing systems are in good operable condition.***
- 3) ***No legal descriptions for Disposal Area 1 and Disposal Area 2 were provided by the client. This appraisal relies on the survey sketches provided by the client and it is an extraordinary assumption that these sketches are accurate.***

**Hypothetical Condition:**

A Hypothetical Condition is a condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions. (USPAP, 2016-2017 ed.)<sup>2</sup>

There are no hypothetical conditions relative to this appraisal.

This report is prepared for the client. This report or any portion thereof is for the exclusive use of the client and is not intended to be used, sold, transferred, given, or relied on by any other person other than the client without the prior, expressed written permission of the author, as set forth within the Limiting Conditions contained in this report.

We do hereby certify that to the best of our knowledge and belief, all statements and opinions contained in this appraisal report are correct. This transmittal letter is not valid for any purpose unless accompanied by the appraisal referred to herein.

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<sup>1</sup> Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2016-2017

<sup>2</sup> Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2016-2017.

In order to guarantee the authenticity of this report, the designated appraiser has imprinted this letter of transmittal with an embossed seal. Any copy without same is not a certified copy and the appraiser assumes no responsibility or liability for such a report.



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The certifications of the Appraisers appearing in the report are subject to the following conditions, and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

The Appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. A Title Report has been furnished to the Appraisers. The property is appraised as though under responsible ownership, competent management and adequate marketing typical for that type of property.

In determining the opinion of value of the subject property and in analyzing comparable information, the Appraisers have relied upon information from public and private planning agencies as to the potential use of land or improved properties. This information may include, but is not limited to, Area Plans, Neighborhood Plans, Zoning Plans and Ordinances, Transportation Plans and the like. In the opinion of market value, the Appraisers may consider the extent to which a knowledgeable and informed purchaser or seller, as of the date of the appraisal, would reflect the reasonable probability of changes in such land uses becoming actualized in the future. To the extent that these plans may change, the value opinions of this report may also change.

In the absence of a professional Engineer's Feasibility Study, information regarding the existence of utilities is made only from a visual inspection of the site. The Appraisers assume no responsibility for the actual availability of utilities, their capacity or any other problem which may result from a condition involving utilities. The respective companies, governmental agencies or entities should be contacted directly by concerned persons.

The Appraisers are not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless prior arrangements have been made and confirmed in writing.

[REDACTED]

[REDACTED]



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On all reports which are undertaken subject to satisfactory completion of, alterations of or repairs to improvements, the report and value conclusions contained in it are contingent upon completion of the improvements or of the repairs thereto or alterations thereof in a workmanlike manner and consistent with the specifications presented to the Appraisers.

Prospective value opinions are intended to reflect the current expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. The appraisers cannot be held responsible for unforeseeable events that alter market conditions after the effective date of the report.

The Appraisers have not made a specific survey of the subject property to determine whether or not it has any plant or wildlife which is identified as an endangered or threatened species by the U.S. Fish and Wildlife Service. While not observed and while no information was provided to confirm or deny the existence of any endangered or threatened species on the subject property (unless expressly stated herein), it is emphasized that the Appraisers are not qualified to detect or analyze such plants and wildlife. Any such conclusions must be based upon the professional expertise of persons qualified to make such judgments. Thus, any person or other entity with an interest in the subject property is urged to retain an expert if so desired. It is possible that a survey of the property could reveal that the site contains endangered or threatened plants or wildlife. If so, this fact could have a negative effect on the value of the property. Since the Appraisers have no direct evidence relating to this issue, possible endangered or threatened species were not considered in valuing the property.

The use of this report or its analysis and conclusions by the client or any other party constitutes acceptance of all the above limiting conditions.

### ***EXTRAORDINARY ASSUMPTIONS/HYPOTHETICAL CONDITIONS***

#### **Extraordinary Assumption:**

An Extraordinary Assumption is defined as an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions (USPAP, 2016-2017 ed.)<sup>3</sup>

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<sup>3</sup> Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2016-2017

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The following are extraordinary assumptions relative to this appraisal:

- 1) The client provided no environmental clearance package for the subject. ***It is an assumption of this appraisal that there are no environmental issues that adversely impact value of the subject property.***
- 2) ***It is an assumption of this appraisal that all mechanical, plumbing, and roofing systems are in good operable condition.***
- 3) ***No legal descriptions for Disposal Area 1 and Disposal Area 2 were provided by the client. This appraisal relies on the survey sketches provided by the client and it is an extraordinary assumption that these sketches are accurate.***

**Hypothetical Condition:**

A Hypothetical Condition is a condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions. (USPAP, 2016-2017 ed.)<sup>4</sup>

There are no hypothetical conditions relative to this appraisal.

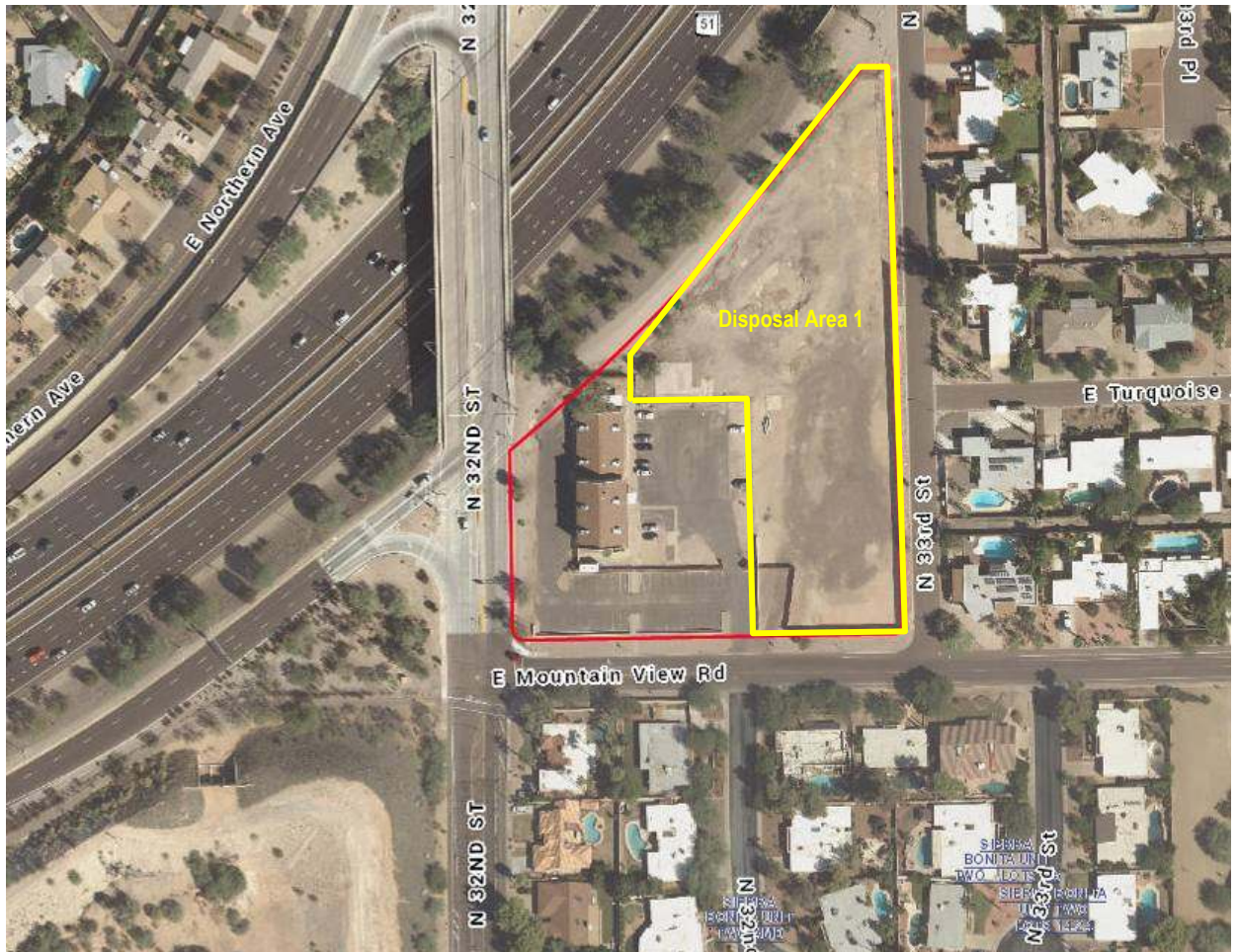
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<sup>4</sup> Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, 2016-2017.

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## ***DISPOSAL AREA 1 - VALUATION***

***101,879.94 Square Feet Vacant Land***



***\*Depiction not to scale***

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## ***THE APPRAISAL PROCESS***

An appraisal is an opinion based upon research, judgment, and an analysis of factors influencing real estate value. These factors consider the four major forces at work in the economy: physical, legal/political, social and economic forces.

The sections comprising the first portion of the report include: Property Identification, Date, Function and Purpose of the Appraisal, Scope of Work, Neighborhood Analysis, Site Analysis, and Highest and Best Use. The highest and best use of the subject property is the basis upon which market value opinion is formed.

The second portion of the report contains the approaches used to support the market value opinion for the fee simple interest in the subject property. The fee simple interest is the unencumbered interest in the property. The three traditional approaches to value are the Cost Approach, the Sales Comparison Approach, and the Income Approach.

In the Cost Approach, the appraiser estimates the current cost to replace the improvements, deducts estimated accrued depreciation, and adds the site value to arrive at an indication of market value. The accuracy in the estimate of accrued depreciation is a critical element in the reliability of the Cost Approach. The Cost Approach is most appropriate for new or nearly new properties in which little depreciation has accrued. The subject Disposal Area 1 is vacant land and the Cost Approach is not applicable.

The Income Approach is based upon the premise that market value is the present worth of the anticipated benefits to be derived from the property. With income properties, this approach is typically of great importance. The chief motivation for income property ownership is the net income the property produces. However, in the current market, buyers are predominantly owner-users rather than investors.

In the Income Approach, the appraiser analyzes the subject property and comparable properties to estimate the market rent, effective gross income and operating expenses. The net income is converted to value through the process of direct capitalization. The method of capitalization applied depends upon the characteristics of the property and the behavior of buyers and sellers in the market. The reliability of this approach depends upon the estimates of income and expenses, and the quality of the data from which the overall rate is selected. Since the subject is vacant land, the Income Approach is not applicable and is not employed.

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In the Sales Comparison Approach, recent sales of similar properties, known as "comparables," are analyzed and adjusted to the subject property. This approach best represents the actions of buyers and sellers in the market for this type of property. The degree of similarity between the comparables and the subject property determines the reliability of this approach.

In the Reconciliation, the approaches to value employed are evaluated as to their pertinence and reliability. The purpose of the reconciliation is to evaluate the strengths and weaknesses of the applicable approaches to value. After analyzing the pertinence and reliability of each approach, a reconciled market value opinion for the fee simple interest is provided.

The Sales Comparison Approach provides a reliable and credible indication of market value for the subject vacant excess land. As such, it is the only approach employed.

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***PROPERTY IDENTIFICATION***

The appraised Disposal Area No. 1 is comprised of a 101,879.94 square-foot site, which has been deemed by the Arizona Department of Transportation to be excess holdings. The subject is located at the northwest corner of 33<sup>rd</sup> Street and Mountain View Road, just east of State Route 51 in the City of Phoenix, Maricopa County, Arizona. The property appraised is identified as a portion of Maricopa County Assessor's Parcel Number 165-22-093.

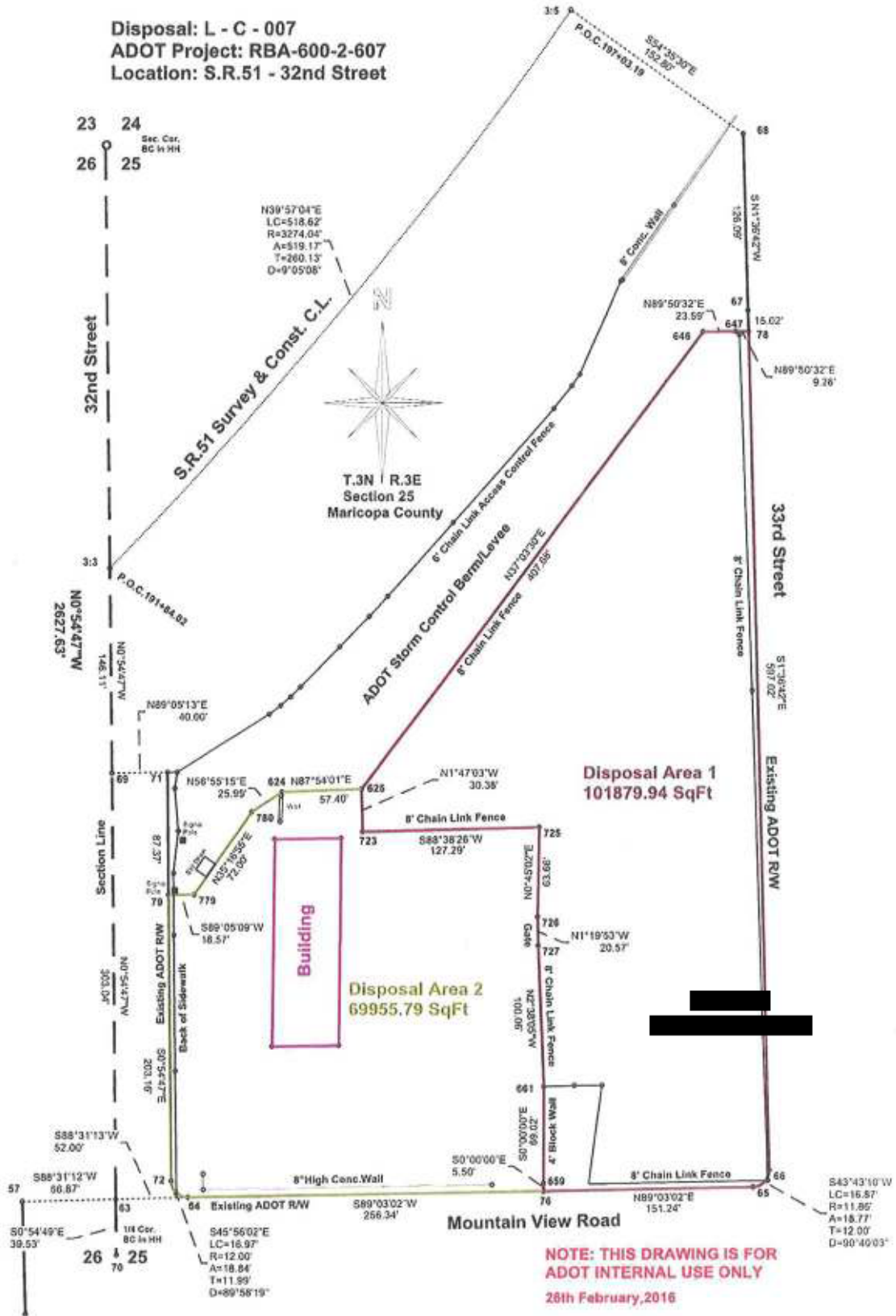
The plat map identifying the subject parent parcel and Disposal Area 1 follows. No legal description for the identified Disposal Area 1 was provided. However, a survey sketch and right of way plans provided by the client follows the plat map.





# Sketch Plan 2

Disposal: L - C - 007  
ADOT Project: RBA-600-2-607  
Location: S.R.51 - 32nd Street





*\*Right of Way Plans for Squaw Peak Highway Project; Not to Scale*

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## ***PURPOSE OF THE APPRAISAL***

<b><i>Purpose of the Appraisal:</i></b>	The purpose of the appraisal is to provide an “as is” market value opinion for the fee simple estate interest in the subject property.
<b><i>Intended User of the Appraisal:</i></b>	The intended user of the appraisal is the Arizona Department of Transportation, the client.
<b><i>Intended Use of the Appraisal:</i></b>	The intended use of the appraisal is to provide a basis of value with which to establish a minimum bid price for disposition.
<b><i>Date of Value Opinion:</i></b>	The date of the value opinion is March 24, 2016, the date of the property inspection.
<b><i>Date of the Appraisal Report:</i></b>	The date of the appraisal report is April 21, 2016.

## ***DEFINITIONS***

### ***Market Value Definition:***

Pursuant to Arizona Revised Statute 28-7091:

*‘Market Value’ means the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements which the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.*

### ***Interest to be Appraised:***

#### **Fee Simple Estate:**

The interest to be appraised is that interest arising from fee simple estate ownership. *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition, by The Appraisal Institute defines the fee simple estate as:

“Absolute ownership, unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Under this premise, the property is appraised as if free and clear and without any restrictions or encumbrances that would limit the marketability of the property.

### ***Ownership and Five Year Chain of Title:***

According to the Disposal Report provided by the client, title is vested in the name of State of Arizona, by and through its Department of Transportation, by virtue

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of a Warranty Deed recorded May 15, 1989, Instrument No. 89-220866. No transfers of title within five years prior to the effective date of value were recorded.

**Contact and Site Inspection:**

The subject property was inspected on March 24, 2016 by appraisers [REDACTED] [REDACTED] Jim Walcutt, representative for the property owner, State of Arizona Department of Transportation, accompanied the appraisers on this inspection.

ADOTM-1-V-4042-9-14  
EXHIBIT 9-14  
July 1, 1992

APPRAISALS

<b><i>CONTACT REPORT</i></b>	
<b>DATE:</b> March 18, 2016	
<b>PARTIES CONTACTED:</b> Jim Walcutt, (520) 591-7923.	
Mr. Jim Walcutt, representative for property owner Arizona Department of Transportation, indicated he would accompany the appraisers on their site inspection on March 24, 2016.	
Project: <u>H555103R</u>	Section: 26 <sup>th</sup> Street – Shea Blvd. [REDACTED]

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### ***SCOPE OF WORK***

The scope of work for an appraisal is the extent of the process of collecting, confirming, and reporting data, as well as the methods used in supporting the value opinion. All three approaches to value, the Cost Approach, Income Approach, and Sales Comparison Approach are considered. In accordance with Uniform Standards of Professional Appraisal Practice (USPAP), the scope of work for the appraisal includes, but is not limited to, the following:

- Inspection and analysis of the subject property, market conditions, and other restrictions that affect value; and
- Research, analysis, inspection and confirmation of comparable market data; and
- Consideration of the three approaches to value which include the Cost, Sales Comparison and Income Approaches to support my market value opinion for the subject property.

#### ***Data Sources and Confirmation:***

Research for comparable land sales included a thorough search of sale data from January 1, 2013 through the present. Data sources include the Maricopa County Assessor's Records, Data Tree, the Arizona Department of Transportation website, Co-Star Comps Arizona, and interviews with local real estate brokers and market participants. The search criteria included improved sales that are similar in size and location, as well as active listings.

Our research revealed seven sales of vacant land located in Phoenix, Arizona between December 20, 2013, and the effective date of this appraisal. The sale data was pared down to the five sales that are included in the analysis. The sale dates range from March 12, 2014 to December 3, 2015. The comparable sales were selected based on their physical similarities to the subject in terms of size, location and intended use. The data is the considered the best data available and is adequate to provide a credible indication of value.

The subject has good access from Mountain View Road, ample off-street parking, and good visibility to a limited volume of traffic on Mountain View Road and 33<sup>rd</sup> Street. The surrounding area is predominantly residential in use.

#### ***Scope of the Project:***

The intended use of this appraisal is to provide a basis of value for establishing a minimum bid price for disposition of the subject property.

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***Arizona State Transportation Board Resolution Data:***

No information was provided to the appraisers about the approval in accordance with the Arizona Department of Transportation Board.

***Right-of-Way Plan Drawing Number, Date of Approval and Last Revision Date:***

No construction-related activities are involved in the disposal of the subject property. Thus, no construct-related impacts will result from disposal.

***Subject Areas as Shown on the Parcel Exhibit Sheet:***

As previously discussed, no construction activities are necessary for disposal. According to the Disposal Sketch provided by the client, the property that is the subject of this appraisal consists of 101,879.94 square feet of land.

***Limitation in Scope:***

This is a narrative appraisal report that is intended to comply with ADOT Appraisal Standards and Specifications and the Uniform Standards of Professional Appraisal Practice. There are no other limitations in the scope of the assignment, other than those discussed in the Contingent and Limiting Conditions and Extraordinary Assumptions.



# REGIONAL MAP





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## ***REGIONAL AND NEIGHBORHOOD ANALYSIS***

The value of a property is not entirely intrinsic, that is, it is not determined solely by the physical characteristics of the site itself. The economic, governmental, environmental, and social forces in the immediate area must be analyzed, for these are often important determinants of value.

### **Geographic Location:**

The subject property is located in the City of Phoenix, Maricopa County, Arizona, the largest city in Arizona.

### **Maricopa County Data:**

The subject property is located in the north-central portion of the City of Phoenix, Arizona. Fourteen cities comprise the Metropolitan Phoenix-Mesa Area within Maricopa County.

According to the U.S. Census Bureau, the Phoenix Standard Metropolitan Statistical Area (SMSA) encompasses 9,225 square miles within Maricopa County, Arizona. The Metropolitan Phoenix Area (MPA) is located near the center of the State of Arizona and is the county seat of Maricopa County. As shown in the following table, Maricopa County and the City of Phoenix experienced significant growth between 2000 and 2006. The recession that began in 2007 had a negative effect on population growth through 2010, as shown below. However, the data shows that the growth rate began returning to historic levels in 2014.

POPULATION STATISTICS Maricopa County and Phoenix				
Year	Maricopa County	Annual % Chg.	City of Phoenix	Annual % Chg.
2000	3,072,149	n/a	1,321,045	n/a
2005	3,648,545	3.50%	1,452,825	1.92%
2010	3,817,117	0.91%	1,445,632	-0.10%
2012	3,884,117	0.88%	1,464,632	0.66%
2013	3,944,859	1.56%	1,485,751	1.44%
2014	4,087,191	3.61%	1,537,058	3.45%
2015	4,161,218	1.81%	N/A	N/A

Prior to the national and regional recession, expansive growth in the region was typified by increases in employment, population and personal income. Arizona Progress (a publication by Valley National Bank) reported that during the 1960s decade, Phoenix grew

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111% in employment, 53% in population and 20% in personal income. The 1970s showed similar growth trends in which the population rose 55%, employment 66% and personal income increased 283%. Forecasts for future growth in the Metropolitan Phoenix Area are equally optimistic. Metropolitan Phoenix grew from 633,510 persons in 1960 to about 2.12 million people in 1990. This increase represents a percentage change of 235% over a 30-year period.

According to *Arizona's Economy*<sup>5</sup> newsletter, "Arizona remains on a modest growth track, at least compared to the state's long-run average. Even so, Arizona continues to add jobs and residents at a faster pace than the nation and most other states. The good news is that Arizona is well positioned to continue to grow, assuming the nation avoids recession, and the state is also likely to continue to outpace the nation. Gas prices remain well below year-ago levels, which will free up funds for household to use to shore up balance sheets and perhaps even finance additional purchases. The rapidly rising value of the U.S. dollar is a concern, because it may weigh on state export performance."

*"The economic scorecard for 2015 shows the state economy adding jobs, residents, and income. Labor market performance improved, with 61,600 net new jobs and an unemployment rate of 6.1%, according to the preliminary data. The Phoenix metropolitan statistical area (MSA) continued to drive state growth, but the Tucson MSA managed to grind out slow gains. Overall, 2015 was a solid but not great year."*<sup>6</sup>

Arizona construction activity remains a concern, with slow employment, permit and house price gains in 2014. Construction employment increased in 2014, but by just 1.4% which followed a 6.6% increase in 2013. Phoenix house prices, measured by the Case-Shiller Home Price Indices, rose by 6.3% in 2015, 6.6% in 2014, and 19.6% in 2013. Overall construction activity remains sluggish, held back by a variety of factors, including slow population and household growth.

Overall, the outlook is for the state to gain momentum during the next three years. Job growth is forecast to accelerate from 2.4% in 2015 to 2.9% by 2018. Population and

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<sup>5</sup> Dr. George Hammond, "Cross Currents, Arizona's Economy Looks for Smooth Sailing" *Arizona's Economy*, University of Arizona, Eller College of Management, Second Quarter 2015 Forecast

<sup>6</sup> Dr. George Hammond, "Smooth Ride or Bumps Ahead? Arizona's Economy Heads into Uncertain Global Terrain" *Arizona's Economy*, University of Arizona, Eller College of Management, First Quarter 2016 Forecast Update

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income gains show a similar pattern. The Phoenix MSA is forecast to continue to drive state gains, with job growth rising from 2.9% in 2015 to 3.2% by 2018.

Geographical constraints limit growth for the Metropolitan Phoenix Area. The 14 cities that comprise the MPA are clustered in a valley that is bounded by the Tonto National Forest to the north and the Gila Indian Reservation to the south. The Salt River Indian Reservation and the Superstition Wilderness to the east also limit growth. Given these constraints, it is projected that 65% of all growth in the Metropolitan area will occur in the West Valley over the next decade. This area is defined as 91st Avenue on the east, Grand Avenue on the north and Interstate 10 to the south.

### **Economic Factors**

Diversification is the driving force behind the record setting economic growth that has occurred throughout Metropolitan Phoenix. Industries that help create this diversity include manufacturing (including significant high-tech employment), mining and quarrying, construction, transportation, communications, public utilities, trade, finance, insurance, real estate, services and government.

With more than 1.4 million people, Phoenix is the 6<sup>th</sup> largest city in the United States and the financial, commercial, cultural, entertainment and government center of Arizona. More than 550 square miles in size, one of the city's many strengths is its 13 major employment centers, which each employ a workforce of between 400,000 to 1.1 million within a 25-minute commute.

A favorable regulatory climate, reasonable tax rates and labor laws and the heavy concentration of computer and semiconductor companies (Motorola, Intel and others) have contributed to the area's economic success. The desirability of the region for employees is also a strong attraction to companies.

The region's economy is based principally on five sectors including regional and national headquarters functions; computer, semiconductor and electronics industries; defense/aerospace industries; tourism and retirement and construction.

### **Regional and National Headquarters**

There are 46 national and multi-national corporations located in metropolitan Phoenix. Some of these companies include America West Airlines, Benner Health, Circle K Corporation, FINNOVA Corporation, Phelps Dodge, U-Haul International, SGS Semiconductor Corporation and Del Webb Corporation (now a division of Pulte Homes).

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In addition, several large corporations maintain their regional offices in the metropolitan area. These companies include K-Mart, Walgreen Drug Stores, Wendy's, Carl's Jr., Lucky Food Centers, Osco Drug Centers, J.C. Penney Company and Target Stores.

The top five employers in Phoenix are Banner Health, Walmart Stores, Kroger, Wells Fargo, and Albertson's.

### **High Technology Industry**

Many of the country's largest high technology firms are located in the Metropolitan Phoenix Area. These firms are involved in computers, semiconductors and electronics. At least five of the top 100 employers throughout metropolitan Phoenix employ approximately 27,000 persons. As competitive as the high technology industry is, these firms provide a base for attracting related manufacturing, support services and ancillary businesses.

### **Defense/Aerospace Industries**

The defense/aerospace industries in Maricopa County are particularly important. However, with severe defense spending cutbacks, many of these firms underwent significant layoffs during the mid-1990s. Williams Air Force Base in Gilbert was one of the Air Force's primary training facilities in the United States. The military operations have been closed and the airport has been privatized and is now the Phoenix-Mesa Gateway Airport. The airport is utilized by America West Airlines for training activities, and by Sky Harbor International Airport as a relief airport. In addition, Arizona State University operates an east campus at Williams Gateway.

Luke Air Force Base, located in Goodyear in the Southwest Valley is the only remaining Air Force base in the Metropolitan Phoenix Area. This Air Base serves as the U.S. Air Force's primary tactical training facility for F-16 and F-35 fighter jets. The Air Base is a major employer for the Southwest Valley region. The direct economic impact of the air base is \$653 Million, the indirect economic impact is \$1.1 Billion, and the induced impact is \$333 Million, for a total economic impact of \$2.17 Billion.

### **Tourism and Retirement**

Tourists and retirees are primarily drawn to the Phoenix region due to its favorable climate. Nearly seven million visitors from the United States, Canada and other parts of the world are attracted annually to the Valley of the Sun. To accommodate these visitors, there are numerous major hotels and convention centers, several of which are five star rated.



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Approximately 17% of all adults in Metropolitan Phoenix are retirees. Several retirement communities are located in Metropolitan Phoenix to serve this segment of the population. Sun City, located northwest of Phoenix, has an estimated population of 50,000 people. This community includes several golf courses, lakes, recreation centers, shopping plazas and full medical facilities (including a hospital). Sun City West has an estimated population of 32,500 retirees and includes many of the same amenities as Sun City. In addition, this community has a resort hotel and includes a center for the performing arts.

Sun Lakes, located south of Chandler, has a population of 24,000 persons and includes golf courses, recreation centers and neighborhood shopping. Sunland Village East, also located in Mesa, is a proposed residential adult development with a projected population of 6,400. This community includes a golf course, recreation center and neighborhood shopping. Westbrook Village, located northeast of Sun City, will have a projected population of 8,000 and includes a golf course and recreation center.

### **Construction Industry**

Overall construction activity in Metropolitan Phoenix is stratified into several categories. These categories include retail, office, industrial and residential. Historically, construction has fluctuated in Phoenix, as it has in all areas of the country. New development in all sectors has declined significantly since the onset of the recession in 2007.

### **Employment Trends**

Civilian non-farm labor force and unemployment trends for the Phoenix-Mesa Metropolitan Statistical Area for 2010 through 2015 are illustrated in the table below.

Labor Force & Unemployment Data - Phoenix-Mesa MSA						
	2010	2011	2012	2013	2014	2015
<b>Labor Force</b>	2,040,050	2,034,991	2,037,028	2,035,864	2,107,929	2,175,100
<b>Unemployment Rate</b>	9.8%	8.6%	6.7%	6.7%	6.0%	4.7%

Source: U.S. Bureau of Labor Statistics

Unemployment increased in 2008 through 2010 due to the recession. The unemployment began showing improvement in 2011. As of year-end 2015, the unemployment rate is reported to be 4.7%. This compares favorably to the statewide rate of 5.8% for the same period.

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Major companies in Phoenix include Intel, Motorola, SGS Thomson Microelectronics, Microchip Technologies, OLIN Corporation and others. A substantial influx of high technology enterprises has resulted in Metropolitan Phoenix becoming known as the “Silicon Desert.” The Arizona Association of Industries estimates the total economic impact from the high technology sector at more than \$12 billion. Other manufacturing employers that have had an impact on the local economy include:

Major Manufacturers - Metropolitan Phoenix Area	
Allied Signal, Inc.	Honeywell, Inc.
AT&T Corporation	TRW, Inc.
Phelps Dodge Corporation	Revlon Consumer Products Corp
Stone Container Crop.	Cavco Industries, Inc.
Continental Circuits Corp.	Medtronic, Inc.
Microchip Technology	Motorola Corporation

Metropolitan Phoenix is expected to continue to create more jobs and employment. Prior to the recession, the growth rate of employment was about 4% per year. Slow job recovery began in 2011 and a similar trend is forecast through the next two years. Overall, the outlook for employment growth for the next several years is expected to be a slow steady rate.

### **Education**

Currently, a total of 24 institutions of higher learning are located in Metropolitan Phoenix. Of these 24 institutions, six are universities, eleven are community colleges and seven are technical schools. A total of 164,690 students are served by these institutions. Statistically, metropolitan Phoenix has a proven academic track record. A total of 51% of the adults in the Metropolitan Phoenix Area have attended college. Approximately 45% of those attending college have graduated, and some have continued into graduate school.

Opportunities for higher education continue to expand in Metropolitan Phoenix. Arizona State University (ASU) is located in Tempe and has an annual enrollment of over 42,000 students. In order to meet the needs of continued enrollment growth, the ASU West campus was opened to serve the West Valley area. The new campus is situated on 300 acres at Thunderbird Road, between 43<sup>rd</sup> and 51<sup>st</sup> Avenues. ASU West is intended to serve more than 12,000 students. ASU officials reported that of the total 42,000 enrolled students, about 4,800 attend the ASU West campus.

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The DeVry Institute of Technology and the college of Engineering & Computer Science at Arizona State University are two facilities that have been designed to meet the needs of students pursuing a high technology education.

### **Transportation**

The MPA has continued to expand its role as the major distribution center for the Southwest Region of the United States. This is largely attributed to the substantial population and employment growth. Transportation facilities are continually being expanded, and new carriers are entering the market. The two primary modes of transportation in metropolitan Phoenix are land and air. There are a number of carriers serving these transportation segments.

Phoenix is well served by land transportation carriers. Two freight railroad lines serve the City (Southern Pacific and Atchinson, Topeka & Santa Fe). In addition, Amtrak Passenger Trains serve the area. Bus service is provided by Greyhound, Trailways (Transcontinental) and Phoenix Transit (Intracity). Truck service is provided by 10 transcontinental, 34 interstate and 39 intrastate truck lines. UPS, Purolator Courier Service and Air Couriers International also serve the MPA.

Valley Metro began construction of a new light rail transit system in 2006 that now serves the greater Phoenix metro area. The initial line extends 20 miles from Montebello and 19<sup>th</sup> Avenue in the northwest to Longmore and Main Street in Mesa in the southeast. The line will serve Sky Harbor Airport and the downtown core.

The Phoenix Transit System provides bus service to the entire Phoenix area and some of the surrounding communities. It has been estimated that people make 70,000 trips by bus each weekday. With the increased growth in Metropolitan Phoenix, regional public transportation systems will play a key role in alleviating traffic congestion.

Scheduled passenger air service is available at the Sky Harbor Airport in Phoenix which is one of the nation's busiest airports. General aviation services are also available at Sky Harbor Airport, as well as several municipal airports throughout the region. Air passenger statistics are shown in the following table:


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Enplanement Statistics Sky Harbor International Airport		
Year	No. Passengers	% Change
2008	19,450,576	n/a
2009	18,559,647	-4.58%
2010	18,907,171	1.87%
2011	19,750,306	4.46%
2012	19,560,870	-0.96%
2013	19,525,109	-0.02%
2014	20,344,867	4.20%
2015*	5,487,380	N/A

*\*Through March 2015. Annual figures are not yet available.*

The data shows that passenger service declined in 2009 and then increased slightly by 1.87% in 2010, 4.46% increase in 2011 and followed by slight declines in 2012 and 2013. The activity in 2014 indicates a recovery has occurred. The annualized figure through March of 2015 indicates a potential for over 21 million enplanements through the end of the year.

Growth in the Phoenix metropolitan area has occurred along a northwest/southeast diagonal due to physical features and availability of undeveloped land. The existing major freeways provide access to these major growth areas. The major highways include Interstate 10 (which runs south to Tucson) and Interstate 17 (which runs north to Flagstaff). The designated route of Interstate 10 west from Phoenix to Los Angeles was completed in the early 1990s. The southeast area also includes the Superstition Freeway, which extends east from Interstate 10 and provides access to the communities of Mesa, Gilbert and Apache Junction. State Route 51, also known as the Piestewa Freeway, is a north/south highway that connects with the 101 Loop to the north and Interstate 10 to the south. SR 51 also provides direct access to Sky Harbor International Airport. . Traffic congestion increased, and commute times throughout metropolitan Phoenix deteriorated, as the population has increased. By 1980, Phoenix had fewer miles of freeway per capita than any other major metropolitan area in the United States. In response to this problem, the Maricopa Association of Governments (MAG) added 245 miles of new freeways to the existing system. These projects quadrupled the County's freeway miles and bring the area close to the national average of freeway miles per person.





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The following are 2015 demographic statistics for a 1 to 5-mile radius, obtained from STDB.com:<sup>7</sup>

	<b><u>1 Mile</u></b>	<b><u>3 Miles</u></b>	<b><u>5 Miles</u></b>
<i>Population:</i>	9,971	77,031	244,532
<i>Number of Households:</i>	4,190	33,207	102,708
<i>Avg. Household Size:</i>	2.37	2.31	2.35
<i>Median HH Income:</i>	\$76,136	\$57,417	\$56,123
<i>Average HH Income:</i>	\$101,070	\$84,582	\$85,796

**Governmental Forces:**

*Police Protection:* City of Phoenix Police Department

*Fire Protection:* City of Phoenix Fire and Emergency Services

**Environmental Forces:**

*Predominant District Use:* Commercial and residential

*Quality of Surrounding Area:* The neighborhood benefits from its convenient access to the freeway, international airport and the surrounding commercial services.

*Utilities:* All municipal utilities are available, including electricity from, natural gas, and telephone. Water, sewer, and trash removal services are provided by the City of Phoenix.

**Conclusion**

Employment trends and population growth rates are expected to return to historical trends in 2014-15. This will maintain the diverse economic base and demographics for the entire region. Freeway improvement projects have helped to ease traffic congestion in some areas. However, traffic congestion during peak commute hours continues to affect the region. The new light rail system has helped to alleviate some of the congestion.

Residents of Phoenix enjoy an active year round lifestyle due to mild winters and the abundance of recreational opportunities. The area's climate continues to attract new residents and visitors from the colder Northern, East Coast and Midwest states as well as from around the world. The Metropolitan Phoenix Area will continue to generate growth in all market segments for the foreseeable future given the dynamics of job growth, good quality of life, and improvements in the regional transportation system.

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<sup>7</sup> 5-mile radius from the subject property; 2015 statistical data; Site to Do Business (STDBOnline.com)

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### ***SITE ANALYSIS – DISPOSAL AREA 1***

According to the Sketch Plan for Parcel L-C-007 provided to the appraisers by the client, the subject Disposal Area 1 consists of 101,879.94 square feet, or 2.34 acres, more or less. Surrounding uses are residential. Approximately 91,000 square feet of the subject is encompassed in the R1-10, Single-family Residence Zoning District in accordance with the City of Phoenix Zoning Code. Approximately 11,000 square feet are located in the C-2, Intermediate Commercial Zoning District.

<b>Location:</b>	Northwest corner, Mountain View Road & 33 <sup>rd</sup> Street East of S.R. 51, south of Shea Boulevard Phoenix, Arizona										
<b>Gross Site Area:</b>	101,879.94 square feet, or 2.338 acres, according to the survey sketch provided by the client. The site is a portion of a parent parcel identified as Maricopa County Assessor's Parcel Number 165-22-093. The parent parcel consists of 171,835.73 square feet, or 3.95 acres, more or less.										
<b>Topography:</b>	Generally level.										
<b>Shape:</b>	Irregular.										
<b>Access:</b>	Access is available from Mountain View Road.										
<b>Visibility:</b>	The subject site has visibility to about 3,700 vehicles per day ("VPD") on Mountain View Road. State Route 51, which is one-half block west, has an average daily traffic volume of 115,000 VPD. However, the subject site does not have direct visibility from S.R. 51.										
<b>Utilities:</b>	<table><tr><td><i>Water:</i></td><td>City of Phoenix</td></tr><tr><td><i>Electric:</i></td><td>Salt River Project (SRP)</td></tr><tr><td><i>Sewer:</i></td><td>City of Phoenix</td></tr><tr><td><i>Telephone:</i></td><td>Century Link (formerly Qwest Communications)</td></tr><tr><td><i>Natural Gas:</i></td><td>Southwest Gas</td></tr></table>	<i>Water:</i>	City of Phoenix	<i>Electric:</i>	Salt River Project (SRP)	<i>Sewer:</i>	City of Phoenix	<i>Telephone:</i>	Century Link (formerly Qwest Communications)	<i>Natural Gas:</i>	Southwest Gas
<i>Water:</i>	City of Phoenix										
<i>Electric:</i>	Salt River Project (SRP)										
<i>Sewer:</i>	City of Phoenix										
<i>Telephone:</i>	Century Link (formerly Qwest Communications)										
<i>Natural Gas:</i>	Southwest Gas										
<b>Surrounding Uses:</b>	<table><tr><td><i>North:</i></td><td>State Route 51; ADOT Storm Control Berm/Levee</td></tr><tr><td><i>South:</i></td><td>Residential on interior streets</td></tr><tr><td><i>East:</i></td><td>33<sup>rd</sup> Street; residential on interior streets</td></tr><tr><td><i>West:</i></td><td>State Route 51; residential</td></tr></table>	<i>North:</i>	State Route 51; ADOT Storm Control Berm/Levee	<i>South:</i>	Residential on interior streets	<i>East:</i>	33 <sup>rd</sup> Street; residential on interior streets	<i>West:</i>	State Route 51; residential		
<i>North:</i>	State Route 51; ADOT Storm Control Berm/Levee										
<i>South:</i>	Residential on interior streets										
<i>East:</i>	33 <sup>rd</sup> Street; residential on interior streets										
<i>West:</i>	State Route 51; residential										
<b>Police Protection:</b>	City of Phoenix Police Department										
<b>Fire Protection; Emergency Medical Services:</b>	City of Phoenix Fire Department										

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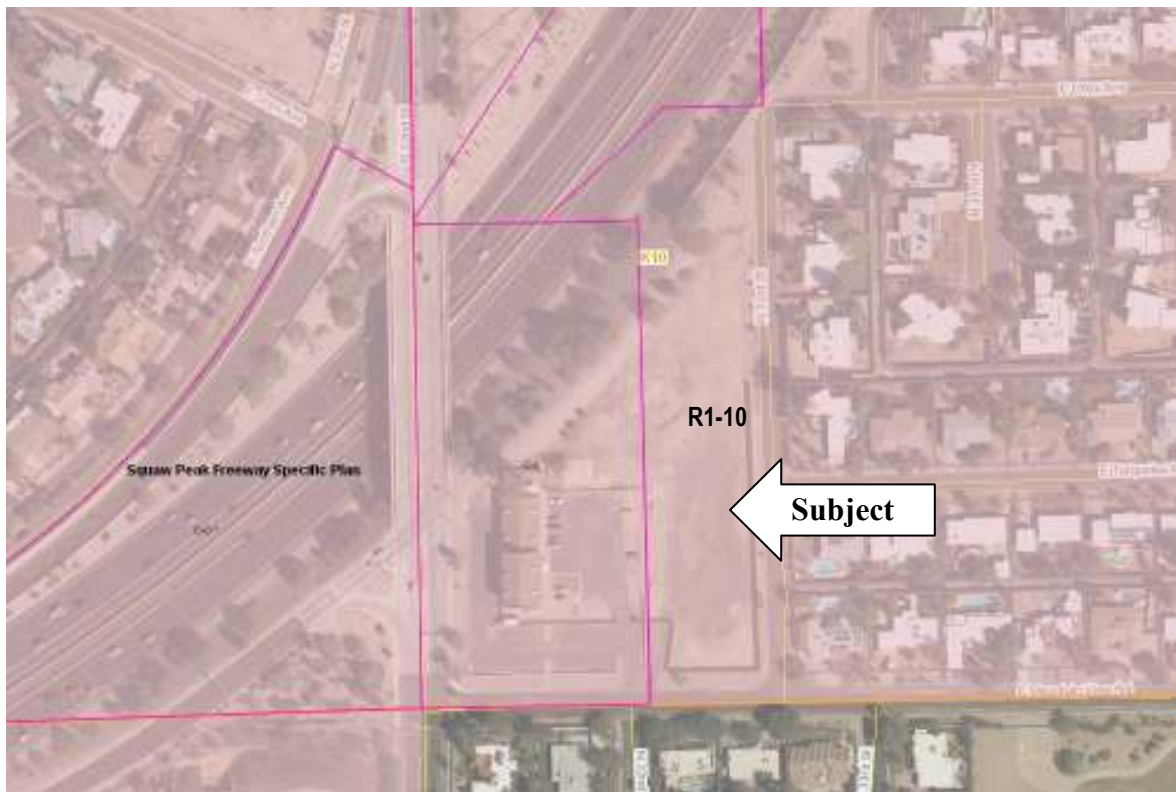
**ASSESSED/FULL CASH VALUATION & TAXES**

2015 Assessed Value Data – Parent Parcel			
APN	2015 Full Cash Value	2015 Assessed Value	2015 Taxes
165-22-093 (Parent Parcel)	\$2,775,000	\$444,000	EXEMPT

Governmental agencies are exempt from property taxes. *It is an assumption of this appraisal that taxes would be re-calculated for private ownership and would be similar to comparable vacant land parcels in the area.*

**Zoning:** The R1-10 zoning district is for single-family detached residences with a maximum density of 3 units per gross acre. The minimum lot width is 75 feet and the minimum lot depth is 110 feet if it is adjacent to a freeway or arterial. Approximately 11,000 square feet is located in the C-2, Intermediate Zoning District. The C-2, Intermediate Commercial, zoning district is for a multitude of commercial uses, which also includes multi-family. However, given the proximity of low density residential uses, many of the more intensive commercial uses would most likely be objectionable to the surrounding property owners. The original use of the parent parcel was a charter school. The City of Phoenix General Plan identified the subject's location as Residential, 3.5 to 5.0 dwelling units per acre. The General Plan is provided on the following page.

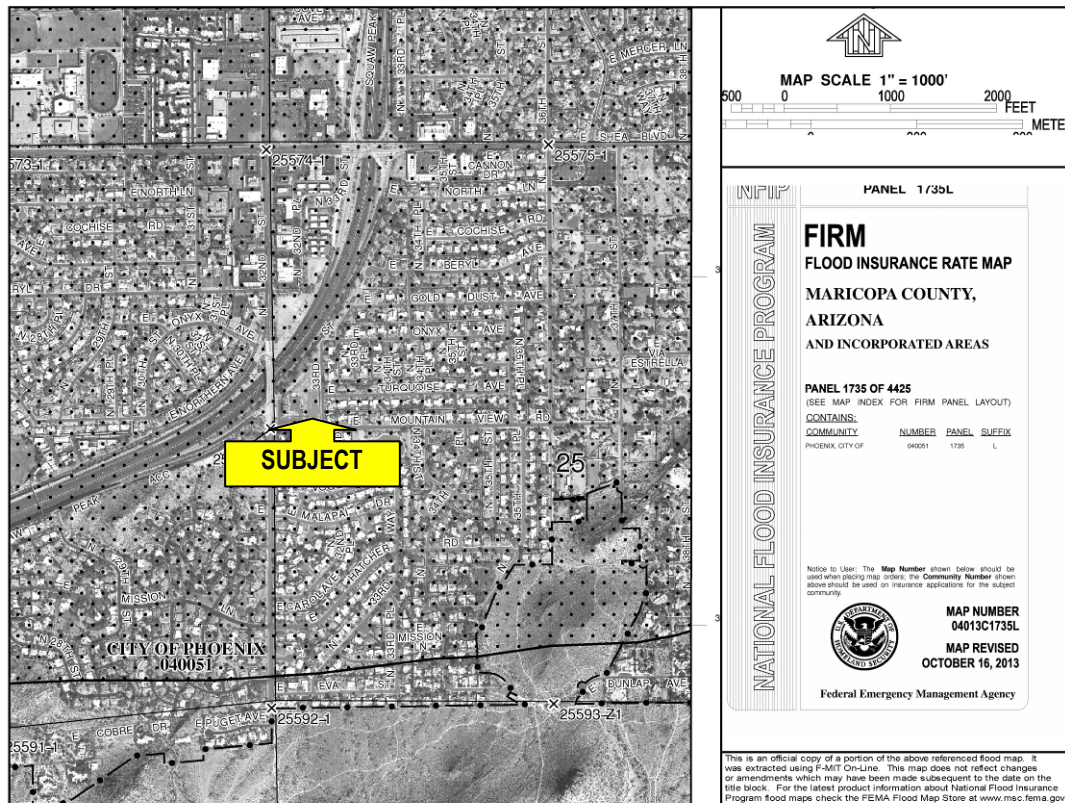
**CITY OF PHOENIX ZONING MAP**



[illegible]



**Floodplain:** According to FIRM Map Panel Number 04013C1735L, effective October 16, 2013, the subject site is located in Zone X, which is defined by FEMA as an area of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level. The FIRM map is provided below:



**Nuisances & Hazards:** There was no evidence of any soil stains, distressed vegetation, odors, or hazardous materials at the time of inspection. Based on the environmental clearance letter provided to the appraisers by the client, this analysis assumes there are no nuisances or hazards present upon or affecting the subject property.

**Division Of Realty And Personality:** There is no personal property associated with the subject site.

**Site Improvements:** The subject site is improved with perimeter fencing and some chip-seal paving.

**Restrictions & Easements:** It is an assumption of this appraisal that no adverse title conditions affect the subject property. Based on the report provided by the client, *this appraisal assumes that the subject is encumbered by typical utility and access easements.*

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### ***HIGHEST AND BEST USE***

According to *The Appraisal of Real Estate, 14<sup>th</sup> Edition*, published by the Appraisal Institute, highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. (Page 305)

The highest and best use of the land as vacant must meet four criteria. The highest and best use must be:

- 1) ***Legally Permissible:*** What uses are permitted by zoning, private restrictions, historic districts, and environmental regulations on the site?
- 2) ***Physically Possible:*** Based on the physical characteristics of the site, what uses are physically possible?
- 3) ***Financially Feasible:*** Which uses meeting the first two criteria will produce a positive return to the owner of the site?
- 4) ***Maximally Productive:*** Among the feasible uses, which use will produce the highest price, or value, consistent with the rate of return warranted by the market? This use is the highest and best use.

The four tests above have been applied to the subject property in the following paragraphs.

### ***AS VACANT***

#### ***Legally Permissible:***

The subject property is primarily located in the R1-10, Single-Family Residence District in the City of Phoenix. This zoning permits single-family detached residences with a maximum density of 3 units per acre. Group homes for the handicapped are also permitted, provided that it is not located within 1,320 feet from another such group home; the home contains more than five, but not more than ten residents; and such home is registered with, and administratively approved by, the Zoning Administrator.

A small portion of the site is also located in the C-2, Intermediate Commercial, zoning district. This zoning district permits a wide range of commercial uses, some of which would not likely be permitted due to the site's proximity to a residential neighborhood. Calls and e-mails to the City of Phoenix Planning and Development Services to ascertain the most likely uses that may be permitted on the subject site, given the surrounding low-density residential uses were not returned. Based on our professional

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judgment and experience, the most likely legally permissible uses that would be acceptable to the surrounding property owners are office, child care, adult care or assisted living, charter school, self-storage, church or special purpose, a community park, or multi-family use.

***Physically Possible:***

The subject is located at the northeast corner of Mountain View Road and 32<sup>nd</sup> Street, just east of the SR-51 northbound off-ramp for 32<sup>nd</sup> Street. All utilities are available to the site. The property is located in un-shaded Zone X which is defined as “Areas determined to be outside 100-year floodplain.”

Improved properties in the immediate vicinity are single-family residences. SR-51, which is adjacent west, is a multi-lane state highway. The property has physical and legal access from Mountain View Road.

Based on the foregoing, legally permissible and physically possible uses include office, multi-family residential, child care, charter school, church, self-storage, or assisting living.

***Financially Feasible and Maximally Productive:***

The financially feasible use for vacant land is indicated by the demand that is generated in the market area of the subject property. Demand for vacant land is demonstrated by the sales that are included in the Sales Comparison Approach. Interviews with local brokers indicated that the land market in the Phoenix area is showing some recovery. Most of the recent demand, however, has been for users that have a need for a specific location. There has been little demand for speculative development. The area’s economy is strong and the coming year should bring more activity.

Given the subject’s location, zoning, the most likely financially feasible and maximally productive use, as vacant, is for single-family residential or a special purpose use in accordance with applicable zoning regulations, which may include child care, assisted living, church, charter school, or a community park.

***Highest and Best Use:***

Given the zoning and location, the highest and best use, as if vacant, is single-family residential or a special purpose use in accordance with applicable zoning regulations and meets with neighborhood approval.

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### ***SALES COMPARISON APPROACH***

In the Sales Comparison Approach to value, sales of similar vacant parcels of land are analyzed and adjusted to the subject property. This approach applies the principle of substitution which affirms that, when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property without undue or costly delay.

Adjustments to the comparable sales are made for each of the following elements of comparison: real property rights conveyed, financing terms, conditions of sale, market conditions, location and physical characteristics. The most appropriate unit of comparison for this type of property is the sale price per square foot of land. This unit of comparison is calculated by dividing the sales price by the site area.

Our initial search for comparable sales focused on vacant commercial and residential parcels with one to five acres in the Phoenix metropolitan area. The sale data selected is considered to be the best available for this appraisal.

### ***LAND VALUATION***

The Sales Comparison Approach is used to support the market value opinion for the subject property, as vacant.

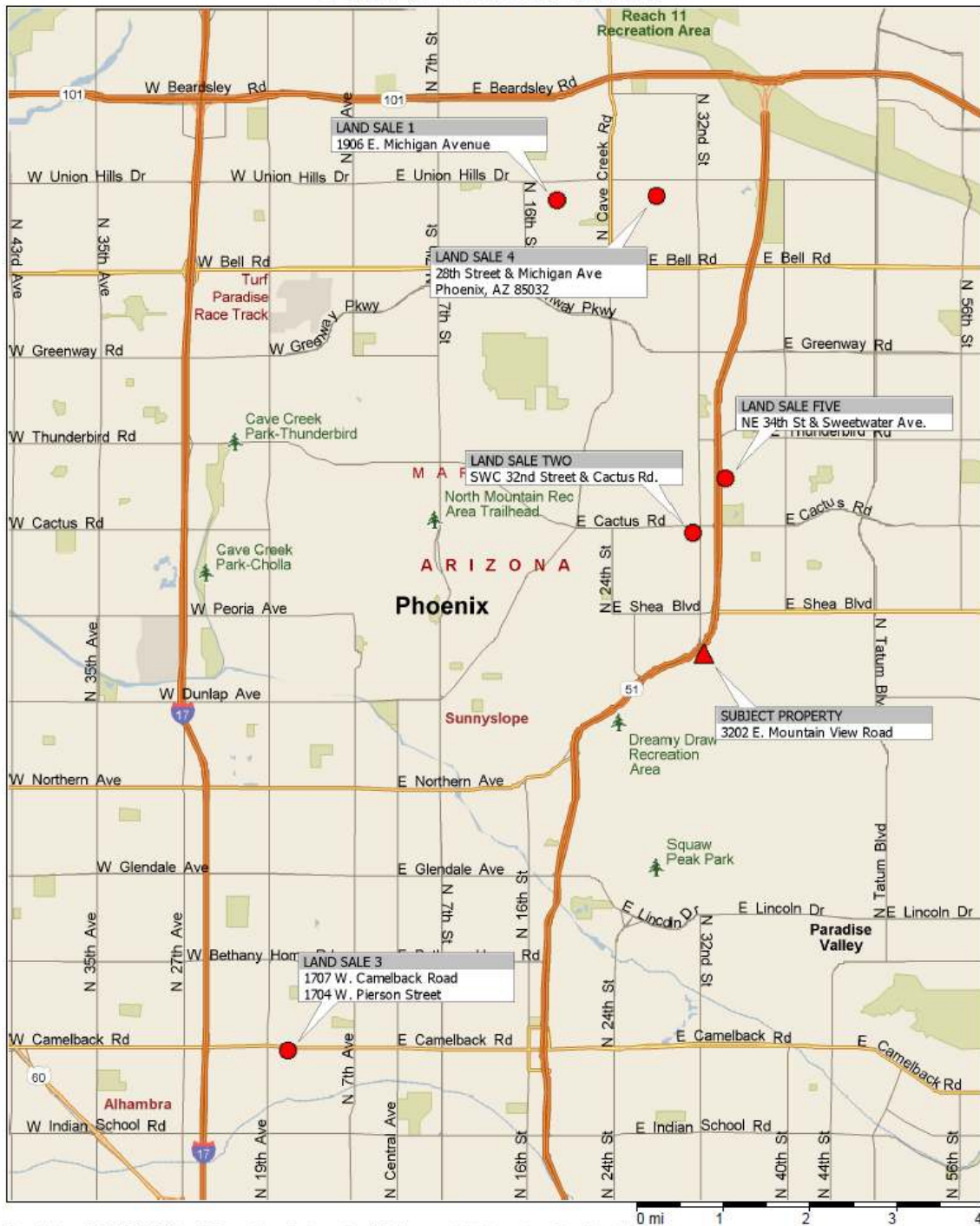
In the Sales Comparison Approach, sales of similar sites in the subject area are compared and adjusted to the subject property. This approach applies the principle of substitution which affirms that when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property without undue or costly delay. The Cost and Income Approaches are not applicable since the subject is vacant land.

Adjustments are applied to the comparable sales based on the following elements of comparison: property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics and zoning. The adjustments are based on the sale price per square foot unit of comparison. This is equal to the sale price divided by the total square footage of the sale.

Here follows an overall sales map, individual sales data sheets with photographs, aerial views, plat maps, and our valuation analysis.



## OVERALL LAND SALES MAP



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 Portions © 1990–2006 InstallShield Software Corporation. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario. NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2005 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc.

## COMPARABLE LAND SALE



COMPARABLE SALE:	1
LOCATION:	1906 E. Michigan Avenue – Michigan Estates Phoenix, AZ 85022
LEGAL DESCRIPTION:	Portion of the W1/2, W1/2, E1/2, NW ¼ of Section 34, Township 4N, Range 3E, G&SRB&M, Maricopa County, AZ
ASSESSOR PARCEL NUMBER(S):	214-10-008B
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 3/3/15 Document No.: 20150142612
SELLER:	TRS 6, LLC
BUYER:	Michigan Ave & 19 <sup>th</sup> Street, LLC
SALE PRICE:	\$495,000
TERMS:	\$25,000 down; Private Financing at undisclosed terms

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CONDITIONS OF SALE:	Direct Sale. No commissions paid.
SITE SIZE:	104,108 S.F.
SALE PRICE PER SQUARE FOOT:	\$4.75
ZONING:	R1-8, Residential 4-RAC
INTENDED USE:	12-lot single-family development
PHYSICAL CHARACTERISTICS:	
Topography/Shape:	Rectangular
Flood Zone:	Zone X, an area outside the 100-year floodplain
Utilities:	All utilities available
Access/Visibility:	Good Access from Michigan Avenue
THREE YEAR HISTORY:	12/9/13 - \$315,000
MARKETING TIME:	Direct Sale. Not Listed
CONFIRMED WITH:	Affidavit of Value.
DATE CONFIRMED:	April, 2016

**I.D.: 16-048-L.1**



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## COMPARABLE LAND SALE



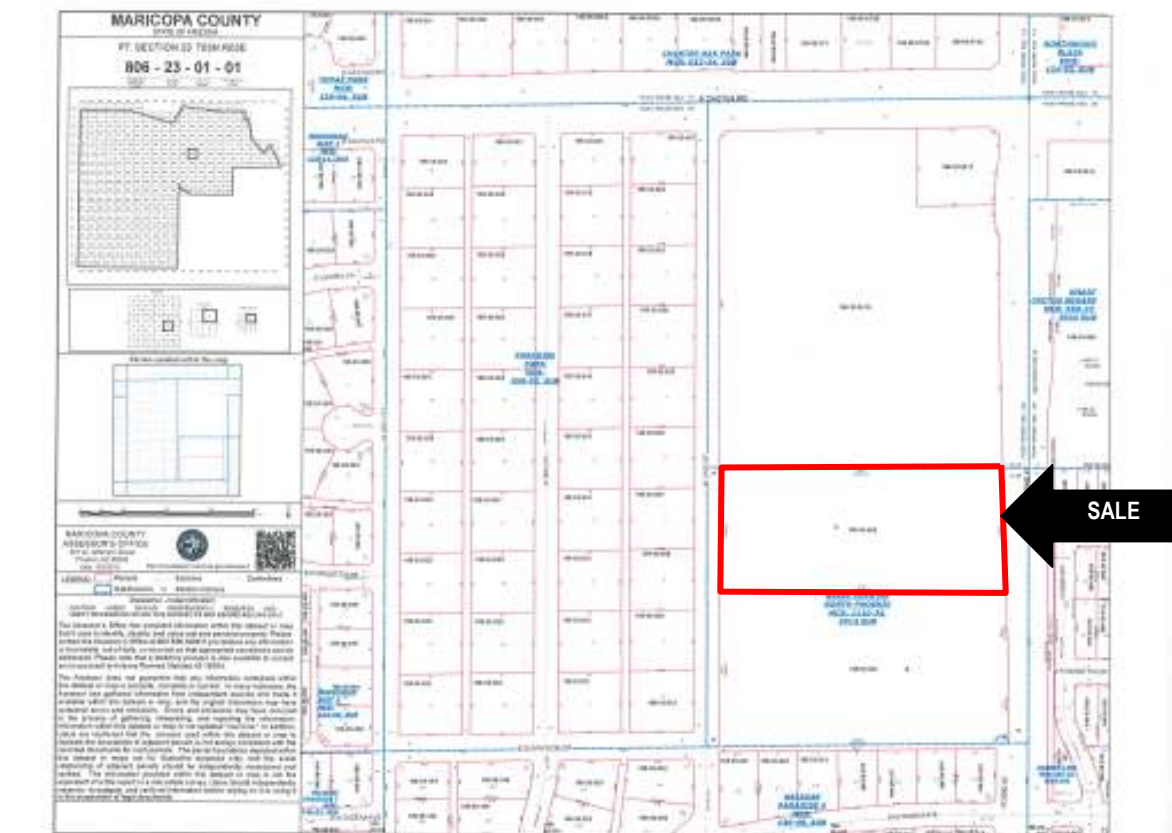
COMPARABLE SALE:	2
LOCATION:	SWC 32 <sup>nd</sup> Street & Cactus Road Phoenix, AZ 85028
LEGAL DESCRIPTION:	Lot 1, Basis Charter North, a portion of Section 23, Township 3 North, Range 3 East, Maricopa County, Arizona
ASSESSOR PARCEL NUMBER(S):	166-32-042
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 5/13/14 Document No.: 20140310766
SELLER:	Northern Trust Company, as Trustee fbo Edmund P. Mell and Northern Trust Company as Trustee fbo Frank S. Mell and K. Ann Mell Andree and Kenneth G. Mell and Michael D. Mell and Gordon F. Mell, II.
BUYER:	Watt New Leaf-Cactus LLC
SALE PRICE:	\$1,275,000

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TERMS:	\$490,000 Down; Conventional financing
CONDITIONS OF SALE:	Market
SITE SIZE:	169,448 S.F. 3.89 Acres
SALE PRICE PER SQUARE FOOT:	\$7.52
ZONING:	R1-10, Residential 3 RAC
INTENDED USE:	Develop single-family subdivision.
PHYSICAL CHARACTERISTICS:	
Topography/Shape:	Level/Rectangular
Flood Zone:	Zone X, an area outside the 100-year floodplain.
Utilities:	All utilities available.
Access/Visibility:	Good Access from 32 <sup>nd</sup> Street and Cactus Road, just west of S.R. 51.
THREE YEAR HISTORY:	No prior sales within 3 years of sale date.
MARKETING TIME:	2,078 days.
CONFIRMED WITH:	John Werstler, CBRE (602) 735-5504
DATE CONFIRMED:	April, 2016
COMMENTS:	None.

**I.D. 16-048-L.2**

### PLAT MAP



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## COMPARABLE LAND SALE



COMPARABLE SALE:	3
LOCATION:	1707 W. Camelback Road; 1704 W. Pierson Street Phoenix, AZ 85015
LEGAL DESCRIPTION:	Portion of Section 19, Township 2 North, Range 3 East, Maricopa County, Arizona
ASSESSOR PARCEL NUMBER(S):	155-53-023B; 024; 025B; 026; 027; 028; 029; 031B; & 031C
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 6/15/15 Document No.: 20150423813
SELLER:	CML-AZ West Camelback, LLC, a Florida limited liability company
BUYER:	C17 Investment Holdings, LLC
SALE PRICE:	\$1,050,000
TERMS:	Cash
CONDITIONS OF SALE:	Market



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SITE SIZE:	172,511 S.F. (3.96 Acres)
SALE PRICE PER SQUARE FOOT:	\$6.09
ZONING:	C-2; R-3, Commercial/Residential
INTENDED USE:	Investment
PHYSICAL CHARACTERISTICS:	
Topography/Shape:	Level/Irregular
Flood Zone:	Zone X, an area outside the 100-year floodplain, according to the FEMA Map 04013C1740L, effective 10/16/13.
Utilities:	All utilities available.
Access/Visibility:	Good Access from Camelback Road and 17 <sup>th</sup> Avenue. Good visibility from Camelback Road. Traffic count is 32,874 VPD west of 17 <sup>th</sup> Avenue and 39,600 east of 17 <sup>th</sup> Avenue.
THREE YEAR HISTORY:	No prior sales within 3 years of sale date.
MARKETING TIME:	Not listed.
CONFIRMED WITH:	Public records. Devan Wastchak, Foursite Development (602) 266-5888.
DATE CONFIRMED:	April, 2016
COMMENTS:	None

**I.D. 16-048-L.3**

[illegible]

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## COMPARABLE LAND SALE



COMPARABLE SALE:	4
LOCATION:	18223 N. 28 <sup>th</sup> Street Phoenix, AZ
LEGAL DESCRIPTION:	Portion of Section 35, Township 4 North, Range 3 East, Maricopa County, Arizona
ASSESSOR'S PARCEL NUMBER:	214-02-001J; 001K
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 12/10/14 Docket/Page: 20140812601
SELLER:	Empire Residential Communities Fund I and Empire Residential Communities Fund II
BUYER:	Taylor Morrison / Arizona, Inc.
SALE PRICE:	\$960,000
TERMS:	Cash
CONDITIONS OF SALE:	Market

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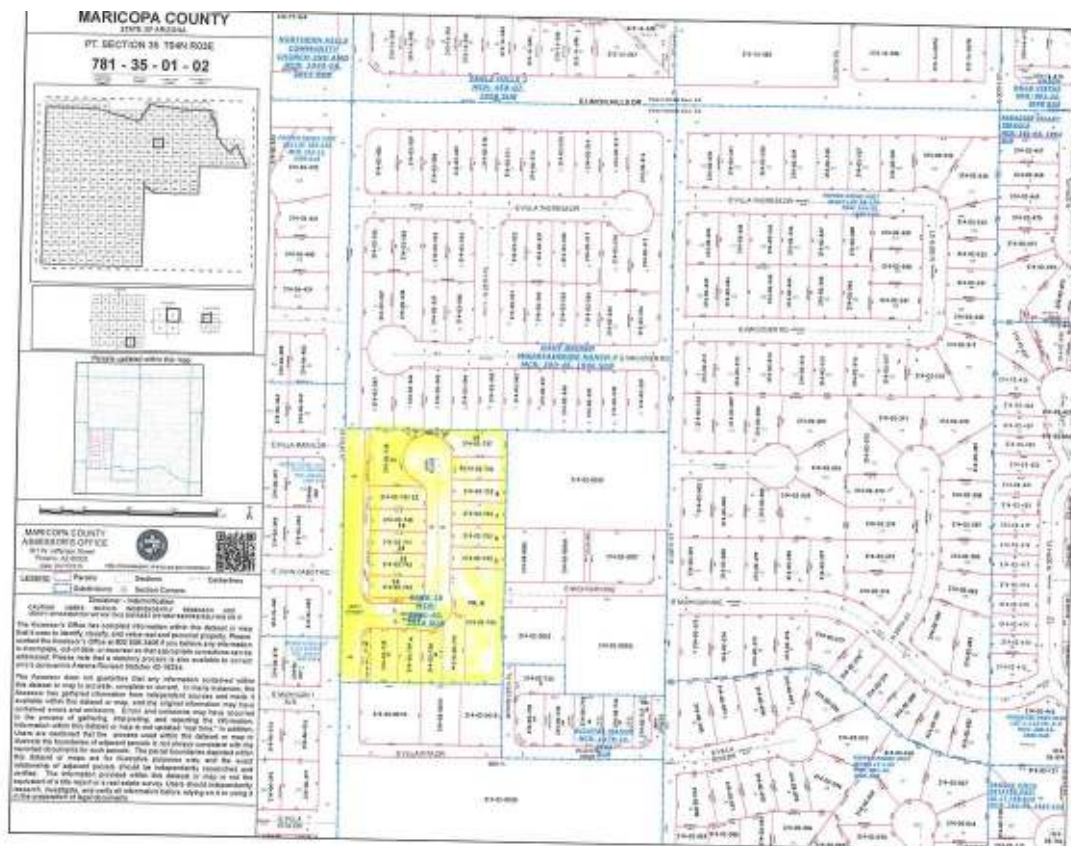
SITE SIZE:	147,159 S.F. 3.38 Acres
SALE PRICE PER SQUARE FOOT:	\$6.52
ZONING:	R1-8, Residential 4 residences per acre (RAC)
INTENDED USE:	Single-family residential development
PHYSICAL CHARACTERISTICS:	
Topography/Shape:	Level. Rectangular
Flood Zone:	Zone X, an area outside the 100-year floodplain, according to the FEMA Map 04013C1295L, effective 10/16/13.
Utilities:	All utilities available.
Access/Visibility:	Good access from 28 <sup>th</sup> Street. Infill site in residential neighborhood. Limited visibility. Traffic volume on 28 <sup>th</sup> Street is about 1,800 VPD
THREE YEAR HISTORY:	No sales within 3 years prior to sale date.
MARKETING TIME:	533 days
CONFIRMED WITH:	Richard Zacher, The Empire Group (480) 951-2207
DATE CONFIRMED:	April, 2016
COMMENTS:	16 single-family residences are currently under construction.

**I.D. No. : 16-048-L.4**





## PLAT MAP





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## COMPARABLE LAND SALE



COMPARABLE SALE:	5
LOCATION:	NE 34 <sup>th</sup> Street & Sweetwater Avenue Phoenix, AZ 85032
LEGAL DESCRIPTION:	A portion of Section 13, Township 3 North, Range 3 East, Maricopa County, Arizona
ASSESSOR'S PARCEL NUMBERS:	166-03-011B; -014B; -213; -212; and -211
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 8/5/14 Docket/Page: 20140513867
SELLER:	TRS 4, LLC
BUYER:	DR Horton, Inc.
SALE PRICE:	\$580,952
TERMS:	Cash

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CONDITIONS OF SALE:	Direct Sale. No Commissions Paid
SITE SIZE:	124,094 S.F. 2.85 Acres
SALE PRICE PER S.F.	\$4.68
ZONING:	R1-6, City of Phoenix Residential; 5-RAC
INTENDED USE:	Single-Family residential subdivision
PHYSICAL CHARACTERISTICS:	
Topography/Shape:	Flat / Irregular
Flood Zone:	Zone X, an area outside the 100-year floodplain.
Utilities:	All utilities available.
Access/Visibility:	Good access & visibility from 34 <sup>th</sup> Street and Sweetwater Avenue. Just east of S.R. 51
THREE YEAR HISTORY:	No prior sales.
MARKETING TIME:	Direct Sale. Not Listed
CONFIRMED WITH:	Affidavit of Value; Public Records.
DATE CONFIRMED:	April, 2016
COMMENTS:	First phase of two planned.

**I.D. No. : 16-048-L.5**

[illegible]



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## ***LAND VALUE ANALYSIS***

Five land sales are included in the analysis. Land sale activity has been limited due to the lingering effects of the recession. The majority of the land deals that have been occurring have been for users that have a specific need for a certain location. The data presented herein is considered the best available.

Adjustments are made to each comparable sale for differences in property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics, zoning and intended use. Quantitative adjustments have been made for elements of comparison including property rights conveyed, financing terms, conditions of sale, and date of sale. There is inadequate support for quantitative adjustments for elements of comparison involving location and physical differences. Therefore, qualitative adjustments are utilized for the remaining elements of comparison.

Here follows the analysis of the sales by each element of comparison. An adjustment matrix summarizing the adjustments as they apply to the comparable sales precedes the conclusion of this analysis.

### ***Property Rights Conveyed:***

No adjustments are made for property rights conveyed. The fee simple interest was transferred for each of the comparable sales.

### ***Financing Terms:***

All of the sales were cash-equivalent transactions and adjustments are unnecessary.

### ***Conditions of Sale:***

All of the sales except Sales One, Three and Five involved no extraordinary conditions and adjustments are unnecessary. Sales One, Three, and Five were direct sales with no real estate commissions paid. Upward adjustments are applied for a typical real estate commission of 6%.

### ***Market Conditions (Date of Sale):***

The transaction dates for the comparable sales are from May 13, 2014, to June 15, 2015. The effective date of value for this appraisal is March 24, 2016. Real estate values decreased in virtually all major market areas throughout the state due to the deep decline in the housing market and the recession. In the greater Phoenix metro area, home and land prices decreased significantly from 2007 through 2011. Prices began improving in 2012

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through 2105. Recovery has commenced in Phoenix, but improvement has been gradual and considered stable. No adjustments are indicated for market conditions.

**Location**

***General Location/Access/Visibility:***

One of the most significant elements of value for vacant land is location. The subject is located on the north side of Mountain View Road, just east of the 32<sup>nd</sup> Street and State Route 51 interchange. Traffic volume on Mountain View Road at this location is about 3,700 vehicles per day (“VPD”). Traffic volume on SR-51 at the subject location is about 116,000 VPD. Mountain View Road is a two-lane residential street at this location. The immediate neighborhood is residential.

The subject’s general location is superior to Sales One, Three, and Four in terms of median household income and median home value. Upward adjustments are applied. Sales Two and Five are similar to the subject in location characteristics. No adjustments are necessary.

In a residential neighborhood, visibility to a large volume of traffic is not a major valuation factor. However, convenient access to major transportation corridors is beneficial. The subject has convenient access to and from State Route 51. All of the sales have similar access and visibility characteristics and adjustments are unnecessary.

**Physical Characteristics**

***Site Size:***

The appraised subject property consists of 101,880 square feet, or 2.34 acres. The comparable sales range from 104,108 to 172,511 square feet. Due to economies of scale, the market frequently recognizes that a smaller parcel tends to sell at a higher price per acre. Conversely, a larger parcel tends to sell at a lower price per acre. Sale One is similar in size to the subject and an adjustment is not necessary. Analysis of the data indicates that economies of scale are present for Sales Two, Three, Four, and Five, which are larger than the subject. Upward adjustments for larger site size are applied.

***Topography/Shape:***

The subject is generally flat with an irregular shape. However, the shape is not so irregular that it would constrain development. The comparable sales are similar. No adjustments are made.

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***Floodplain:***

The subject property is in unshaded Zone X, which is outside of the 100-year flood hazard area. The comparable sales are also outside of the floodplain and would have similar drainage issues when they are developed. No adjustments are made.

***Utilities:***

All utilities are available to the subject. All of the comparable sales have all utilities at their respective street frontages. Adjustments are unnecessary.

***Zoning/Intended Use***

The subject property is primarily located in the R1-10 Single-Family Residence District. The maximum density in this zoning district is 3 dwelling units per acre. About 11,000 square feet are located in the C-2, Intermediate Commercial, zoning district for the City of Phoenix. This zoning permits a variety of commercial, office, service business, and residential uses and other similar uses. However, given the surrounding residential uses and the low population base, the most likely use for the subject site is a residential use that would be acceptable to residents in the area and permitted by the City of Phoenix. All of the sales have either residential or commercial zoning with intended uses that would likely be permitted on the subject site. No adjustments are applied to Sales One, Two, Four, and Five for their similar residential zoning and density. Sale Three is located in the C-2 and R-3 zoning districts, which permit multi-family residential. Apartments are planned for the site. A downward adjustment is applied for the higher density development potential.

The Land Sales Adjustment Matrix is presented on the following page.

# LAND SALES ADJUSTMENT MATRIX

Disposal Area 1	SUBJECT	LAND SALE 1			LAND SALE 2			LAND SALE 3			LAND SALE 4			LAND SALE 5		
		1906 E. Michigan Avenue Phoenix, AZ 85022	PER S.F. ADJ.		SWC 32nd & Cactus Road Phoenix, AZ 85028	PER S.F. ADJ.		1707 W. Camelback Rd Phoenix, AZ 85015	PER S.F. ADJ.		18223 N. 28th Street Phoenix, AZ	PER S.F. ADJ.		34th Street & Sweetwater Ave. Phoenix, AZ 85032	PER S.F. ADJ.	
SALE PRICE		\$495,000	\$4.75		\$1,275,000	\$7.52		\$1,050,000	\$6.09		\$960,000	\$6.52		\$560,952	\$4.68	
PROPERTY RIGHTS CONVEYED <i>Adjustment</i>	Fee Simple	0%	\$0.00		Fee Simple	\$0.00		Fee Simple	\$0.00		Fee Simple	\$0.00		Fee Simple	\$0.00	
FINANCING TERMS <i>Adjustment</i>	Assume cash to seller	0%	\$4.75		Cash to Seller	\$7.52		Cash	\$6.09		Cash	\$6.52		Cash to Seller	\$4.68	
CONDITIONS OF SALE <i>Adjustment</i>	Assume Market	0%	\$0.00		Market	\$0.00		Direct Sale	\$6.09		Market	\$6.52		Direct Sale	\$0.00	
MARKET CONDITIONS <i>Adjustment</i>	March 24, 2016 Date of Inspection	6%	\$0.29		May 13, 2014 0.0%	\$0.00		June 15, 2015 0.0%	\$6.45		December 10, 2014 0.0%	\$6.52		August 5, 2014 0.0%	\$0.28	
ADJUSTED SALE PRICE PER SQ. FT.			\$5.04			\$7.52			\$6.45			\$6.52			\$4.96	
LOCATION General Location <i>Adjustment</i> Access/Visibility <i>Adjustment</i>	NEC SR 51 & Mountain View Road Good- Phoenix N/A Good / Average N/A	19th Street & Michigan Ave. Average-Phoenix 10% Good / Average 0%	\$0.50 \$0.00		32nd St. & Cactus Good - Phoenix 0% Good / Average 0%	\$0.00 \$0.00		17th Ave & Camelback Rd. Average-Phoenix 10% Good / Average 0%	\$0.65 \$0.00		28th St. & Union Hills Dr. Average-Phoenix 10% Good / Average 0%	\$0.65 \$0.00		34th St. & Sweetwater Good - Phoenix 0% Good / Average 0%	\$0.00 \$0.00	
PHYSICAL CHARACTERISTICS Site Size (Sq. Ft.) <i>Adjustment</i>	101,880 N/A	104,108 0%	\$0.00		169,448 5%	\$0.38		172,511 5%	\$0.32		147,159 5%	\$0.33		124,094 5%	\$0.25	
Topography/Shape <i>Adjustment</i>	Flat / Irregular N/A	Flat / Rectangular 0%	\$0.00		Flat / Rectangular 0%	\$0.00		Flat / Irregular 0%	\$0.00		Flat / Rectangular 0%	\$0.00		Flat / Irregular 0%	\$0.00	
Floodplain <i>Adjustment</i>	Zone X - Outside N/A	Zone X - Outside 0%	\$0.00		Zone X - Outside 0%	\$0.00		Zone X - Outside 0%	\$0.00		Zone X - Outside 0%	\$0.00		Zone X - Outside 0%	\$0.00	
Utilities <i>Adjustment</i>	All utilities available N/A	All utilities available 0%	\$0.00		All utilities available 0%	\$0.00		All utilities available 0%	\$0.00		All utilities available 0%	\$0.00		All utilities available 0%	\$0.00	
Zoning / Intended Use <i>Adjustment</i>	R1-10 (3-RAC); Residential N/A	R1-8 (4-RAC) 0%	\$0.00		R1-10 (3-RAC) 0%	\$0.00		C-2 / R-3; Apartments -10%	(\$0.65)		R1-8 (4-RAC) 0%	\$0.00		R1-6 (5-RAC) 0%	\$0.00	
ADJUSTED SALE PRICE / S.F.			\$5.54			\$7.90			\$6.77			\$7.50			\$5.21	

Mathematical Average: \$6.59  
Indicated Value \$871,015

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***Conclusion:***

The comparable sales provide unadjusted value indicators of \$4.68 to \$7.52 per square foot. After making adjustments for all of the appropriate elements of comparison, the adjusted price range from the comparable sales is \$5.21 to \$7.90 per square foot. The mathematical average is \$6.59 per square foot. Equal weight is given to each sale.

Based on the foregoing data and analysis, it is our opinion that the “as is” market value of the subject property is \$671,389, rounded to \$670,000, or \$6.58 per square foot, as calculated below:

$$\begin{aligned} 101,879.94 \text{ Square Feet} \times \$6.59 \text{ per square foot} &= \$671,389 \\ \text{Rounded To: } &\$670,000, \text{ or } \$6.58 \text{ per square foot} \end{aligned}$$

As a test of reasonableness, we considered that the subject was previously platted for 6 single-family residential lots, with all utilities and access from an existing street. The plat is no longer valid. However, it is an indication of the site’s potential residential use. All utilities and streets are available at the property line. The median home value in the surrounding neighborhood is \$338,137. Using a typical land allocation ratio of 25%, the land value of a typical finished lot is approximately \$84,500. That would provide a value of \$507,000 for six lots. However, there is an additional 11,000 square feet of C-2 zoned land that would provide an additional lot. As such, the indicated value using land allocation methodology is \$591,500, rounded to \$600,000. There would be an additional cost to develop and record a plat, plus entrepreneurial incentive for the time and effort to do so. As such, this methodology generally supports the value indicated by the Sales Comparison Approach.

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 1, AS OF MARCH 24, 2016 ..... \$670,000**

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***EXPOSURE TIME***

Marketing times for the comparable sales and listings are as follows:

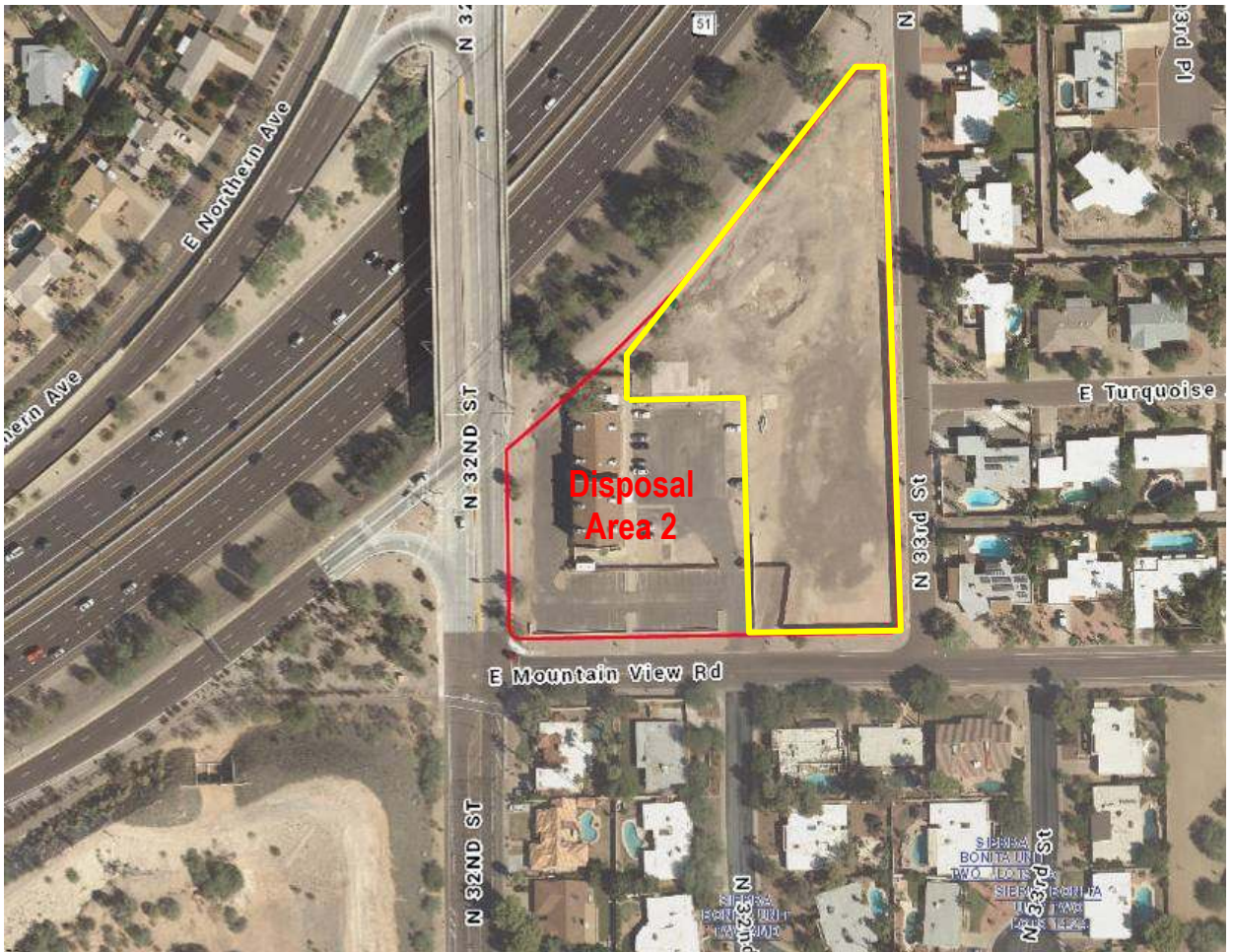
<b><u>SALE</u></b>	<b><u>MARKETING TIME</u></b>
1	Direct Sale - Not Listed
2	2,078 Days
3	Direct Sale – Not Listed
4	533 Days
5	Direct Sale – At Market

Based on the foregoing, exposure time for the subject is estimated at 12 months or less.

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## ***DISPOSAL AREA 2 - VALUATION***

***11,075 Square Feet of Gross Building Area  
69,955.79 Square Feet of Land Area***



***\*Depiction not to scale***

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## ***THE APPRAISAL PROCESS***

An appraisal is an opinion based upon research, judgment, and an analysis of factors influencing real estate value. These factors consider the four major forces at work in the economy: physical, legal/political, social and economic forces.

The sections comprising the first portion of the report include: Property Identification, Date, Function and Purpose of the Appraisal, Scope of Work, Neighborhood Analysis, Site Analysis, and Highest and Best Use. The highest and best use of the subject property is the basis upon which market value opinion is formed.

The second portion of the report contains the approaches used to support the market value opinion for the fee simple interest in the subject property. The fee simple interest is the unencumbered interest in the property. The three traditional approaches to value are the Cost Approach, the Sales Comparison Approach, and the Income Approach.

In the Cost Approach, the appraiser estimates the current cost to replace the improvements, deducts estimated accrued depreciation, and adds the site value to arrive at an indication of market value. The accuracy in the estimate of accrued depreciation is a critical element in the reliability of the Cost Approach. The Cost Approach is most appropriate for new or nearly new properties in which little depreciation has accrued. The subject Disposal Area 2 was originally constructed as a charter school building. It was acquired by ADOT in 1989 as part of the Squaw Peak Parkway road improvement project that is now known as State Route 51. During construction of the road improvements, some of the buildings were demolished. ADOT used the remaining building improvements for storage and a construction field office. It was subsequently leased to Department of Motor Vehicles for records storage. Considering the age and outdated condition of the building, and the difficulty in estimating accrued depreciation in older properties, the Cost Approach was not applied. In addition, a typical buyer does not rely on this approach for its purchase decisions.

In the Sales Comparison Approach, recent sales of similar properties, known as "comparables," are analyzed and adjusted to the subject property. This approach best represents the actions of buyers and sellers in the market for this type of property. The degree of similarity between the comparables and the subject property determines the reliability of this approach.



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The Income Approach is based upon the premise that market value is the present worth of the anticipated benefits to be derived from the property. With income properties, this approach is typically of great importance. The chief motivation for income property ownership is the net income the property produces.

In the Income Approach, the appraiser analyzes the subject property and comparable properties to estimate the market rent, effective gross income and operating expenses. The net income is converted to value through the process of direct capitalization. The method of capitalization applied depends upon the characteristics of the property and the behavior of buyers and sellers in the market. The reliability of this approach depends upon the estimates of income and expenses, and the quality of the data from which the overall rate is selected. In the current market, buyers are predominantly owner-users rather than investors.

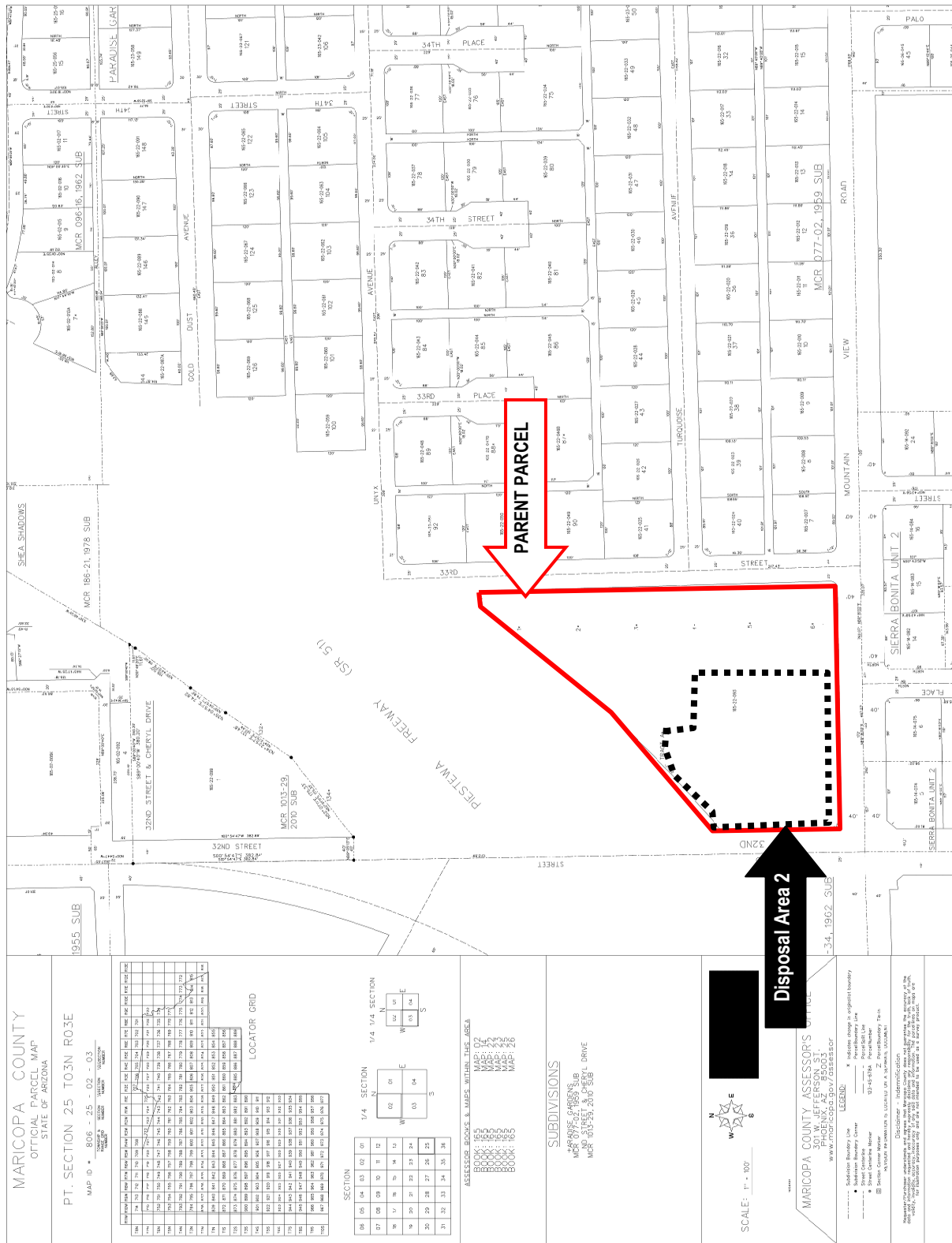
In the Reconciliation, the approaches to value employed are evaluated as to their pertinence and reliability. The purpose of the reconciliation is to evaluate the strengths and weaknesses of the applicable approaches to value. After analyzing the pertinence and reliability of each approach, a reconciled market value opinion for the fee simple interest is provided.

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***PROPERTY IDENTIFICATION***

The appraised Disposal Area No. 2 is comprised of an 11,075 square-foot building on a 69,955.79 square-foot site, which has been deemed by the Arizona Department of Transportation to be excess holdings. The subject is located at the northeast corner of 32<sup>nd</sup> Street and Mountain View Road, just east of State Route 51 in the City of Phoenix, Maricopa County, Arizona. The property appraised is identified as a portion of Maricopa County Assessor's Parcel Number 165-22-093.

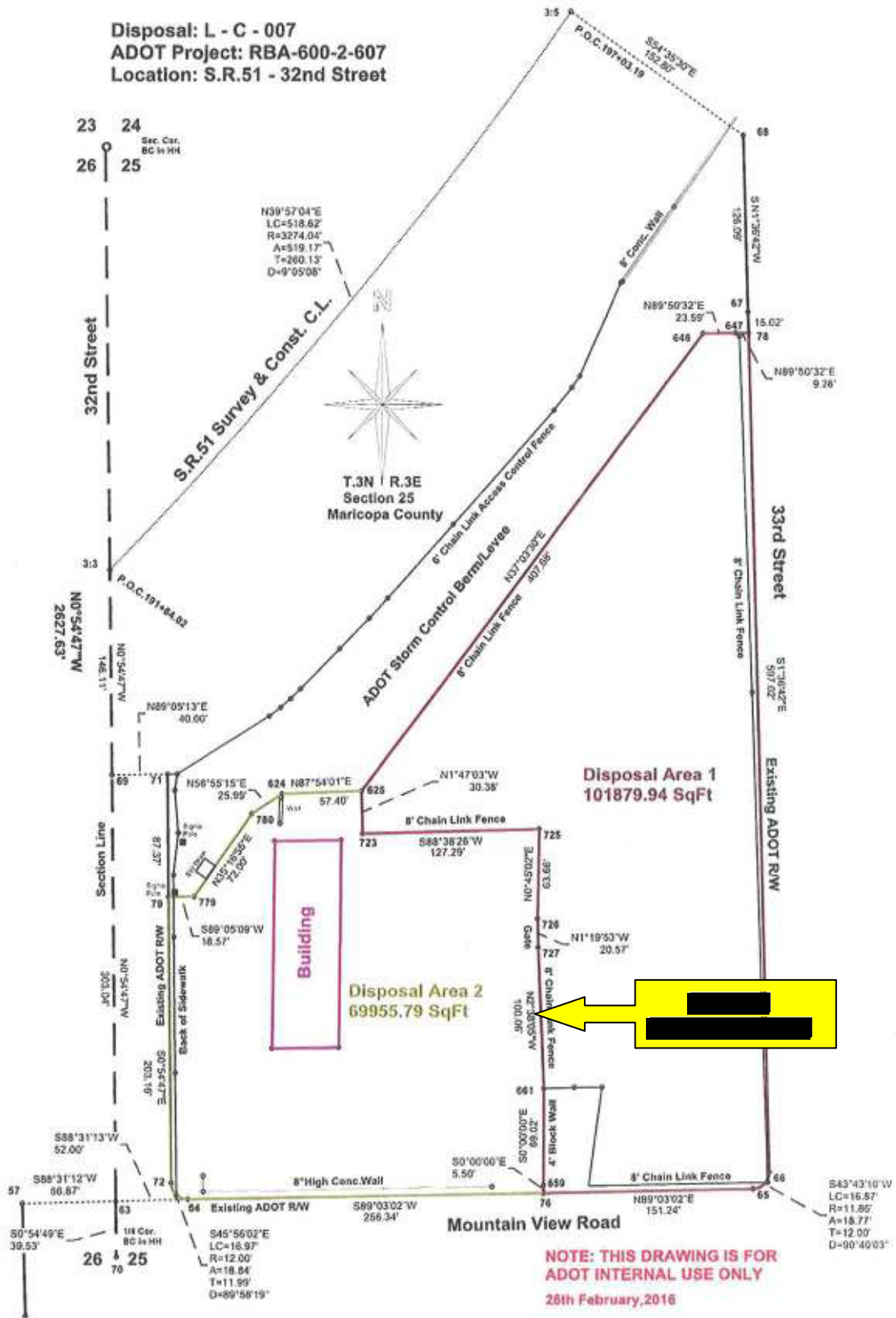
The plat map identifying the subject follows. No legal description for the subject was provided. However, a survey provided by the client follows the plat map.



*\*Depiction Not to Scale*

# Sketch Plan 2

Disposal: L - C - 007  
ADOT Project: RBA-600-2-607  
Location: S.R.51 - 32nd Street





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## ***PURPOSE OF THE APPRAISAL***

<b><i>Purpose of the Appraisal:</i></b>	The purpose of the appraisal is to provide an “as is” market value opinion for the fee simple estate interest in the subject property.
<b><i>Intended User of the Appraisal:</i></b>	The intended user of the appraisal is the Arizona Department of Transportation, the client.
<b><i>Intended Use of the Appraisal:</i></b>	The intended use of the appraisal is to provide a basis of value with which to establish a minimum bid price for disposition.
<b><i>Date of Value Opinion:</i></b>	The date of the value opinion is March 24, 2016, the date of the property inspection.
<b><i>Date of the Appraisal Report:</i></b>	The date of the appraisal report is April 21, 2016.

## ***DEFINITIONS***

### ***Market Value Definition:***

Pursuant to Arizona Revised Statute 28-7091:

*‘Market Value’ means the most probable price estimated in terms of cash in United States dollars or comparable market financial arrangements which the property would bring if exposed for sale in the open market, with reasonable time allowed in which to find a purchaser, buying with knowledge of all of the uses and purposes to which it was adapted and for which it was capable.*

### ***Interest to be Appraised:***

#### **Fee Simple Estate:**

The interest to be appraised is that interest arising from fee simple estate ownership. *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition, by The Appraisal Institute defines the fee simple estate as:

“Absolute ownership, unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Under this premise, the property is appraised as if free and clear and without any restrictions or encumbrances that would limit the marketability of the property.

### ***Ownership and Five Year Chain of Title:***

According to the Disposal Report provided by the client, title is vested in the name of State of Arizona, by and through its Department of Transportation, by virtue

of a Warranty Deed recorded May 15, 1989, Instrument No. 89-220866. No transfers of title within five years prior to the effective date of value were recorded.

**Contact and Site Inspection:**

The subject property was inspected on March 24, 2016 by appraisers [REDACTED] [REDACTED] Jim Walcutt, representative for the property owner, State of Arizona Department of Transportation, accompanied the appraisers on this inspection.

ADOTM-1-V-4042-9-14  
EXHIBIT 9-14  
July 1, 1992

APPRAISALS

<b><i>CONTACT REPORT</i></b>		
<b>DATE:</b> March 18, 2016		
<b>PARTIES CONTACTED:</b> Jim Walcutt, (520) 591-7923.		
Mr. Jim Walcutt, representative for property owner Arizona Department of Transportation, indicated he would accompany the appraisers on their site inspection on March 24, 2016.		
Project: <u>H555103R</u>	Section: 26 <sup>th</sup> Street – Shea Blvd.	Parcel No. L-C-007

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### ***SCOPE OF WORK***

The scope of work for an appraisal is the extent of the process of collecting, confirming, and reporting data, as well as the methods used in supporting the value opinion. All three approaches to value, the Cost Approach, Income Approach, and Sales Comparison Approach are considered. In accordance with Uniform Standards of Professional Appraisal Practice (USPAP), the scope of work for the appraisal includes, but is not limited to, the following:

- Inspection and analysis of the subject property, market conditions, and other restrictions that affect value; and
- Research, analysis, inspection and confirmation of comparable market data; and
- Consideration of the three approaches to value which include the Cost, Sales Comparison and Income Approaches to support the market value opinion for the subject property.

Given the subject's age and condition, the Cost Approach is not employed. Typical buyers do not rely on the Cost Approach for their purchase decisions involving existing improved properties.

As previously discussed, the subject was originally built as a charter school and some of the buildings were demolished for the SR-51 road improvement project. The subject is leased to the Arizona Department of Motor Vehicles and is currently used for records storage. However, the lease is not considered a market lease and no income and expense data for the subject is available.

The surrounding neighborhood on both sides of SR-51 is residential. In considering the Income Approach method of valuation, the highest and best use of the existing improvements was considered. The building has large, open rooms, and minimal build-out for office use. The interior finishes are in need of modernization and refurbishing. For office use, extensive improvements and build-out would be expected by a buyer or tenant. As such, there is insufficient comparable market data available to estimate a market rent for a hypothetical office use, considering unknown renovation and tenant improvements costs.

The office market in Phoenix is improving, but has not recovered from the recession. The vacancy rate as of the 4<sup>th</sup> quarter 2015 was 16.3%. In the suburban markets of Phoenix, the vacancy rate was 16.1%. While vacancy rates in the overall office market in Phoenix are gradually improving from the high of 21.2% posted in 2010, they are far



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from the low vacancy rate of 10.7% in 2006. Average quoted rental rates have shown modest improvement in the past three years.

In addition, given the surrounding residential use, the neighborhood residents would likely object to a use that would generate more traffic in the area.

Converting the improvements to the former charter school use, or other special purpose use, may be less objectionable to the neighbors. However, since the appraisal of Disposal Area 2 excludes the excess land to the east that could be used for a playground, sports field, or additional classrooms, there is insufficient site area to provide these amenities. Only two asking leases for existing, free-standing charter school space were found. According to Dave Headstream, broker with CBRE, leases to charter schools are typically located in converted retail buildings and the majority of charter schools are purchased for owner occupancy. Irene Carroll, Principal of “Funding the Gap,” provides financing for charter school operators, indicating there is demand for owner-operators of charter schools.

Given the renovations needed to convert the subject improvements to a charter school or special purpose use, it is unlikely that an investor would purchase the property for lease when this type of property is predominantly owner-occupied.

Retail use would also be objectionable to the neighborhood residents and the improvements would need extensive renovation to convert to retail use. Furthermore, the site is not large enough to warrant a shopping center use.

Mr. Headstream indicated in our interview that he has an interested buyer that would combine Disposal Area 2 with Disposal Area 1, demolish the existing improvements, and develop infill single-family residences.

Based on our research and analysis, which is corroborated with interviews of market participants, current market conditions indicate that the condition and layout of the subject improvements, as well as market rents for small offices like the subject, do not support investor purchases of this type of property for income-producing purposes. As such, the typical motivation for ownership of buildings like the subject’s is for owner occupancy, or re-development, and not rental income. Therefore, the Income Approach has not been employed.

The Sales Comparison Approach provides a reliable and credible indication of market value for the subject property. As such, it is the only approach employed.

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***Data Sources and Confirmation:***

Research for comparable land sales included a thorough search of sale data from January 1, 2013 through the present. Data sources include the Maricopa County Assessor's Records, Data Tree, the Arizona Department of Transportation website, Co-Star Comps Arizona, and interviews with local real estate brokers and market participants. The search criteria included improved sales that are similar in size and location, as well as active listings.

Our research revealed seven sales of improved properties located in Phoenix, Arizona between May 1, 2013, and the effective date of this appraisal. The sale data was pared down to the five sales that are included in the analysis. The comparable sales were selected based on their physical similarities to the subject in terms of size, location and intended use. The data is the considered the best data available and is adequate to provide a credible indication of value.

The subject has good access from Mountain View Road, ample off-street parking, visibility to a large volume of traffic on State Route 51 and 32<sup>nd</sup> Street. However, the surrounding area is predominantly residential in use.

***Scope of the Project:***

The intended use of this appraisal is to provide a basis of value for establishing a minimum bid price for disposition of the subject property.

***Arizona State Transportation Board Resolution Data:***

No information was provided to the appraisers about the approval in accordance with the Arizona Department of Transportation Board.

***Right-of-Way Plan Drawing Number, Date of Approval and Last Revision Date:***

No construction-related activities are involved in the disposal of the subject property. Thus, no construct-related impacts will result from disposal.

***Subject Areas as Shown on the Parcel Exhibit Sheet:***

As previously discussed, no construction activities are necessary for disposal. According to the Disposal Sketch provided by the client, the property that is the subject of this appraisal consists of 11,075 square feet of building area, according to the appraisers' measurements, and a site size of 69,955.79 square feet.

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***Limitation in Scope:***

This is a narrative appraisal report that is intended to comply with ADOT Appraisal Standards and Specifications and the Uniform Standards of Professional Appraisal Practice. There are no other limitations in the scope of the assignment, other than those discussed in the Contingent and Limiting Conditions and Extraordinary Assumptions.

## REGIONAL MAP



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## ***REGIONAL AND NEIGHBORHOOD ANALYSIS***

The value of a property is not entirely intrinsic, that is, it is not determined solely by the physical characteristics of the site itself. The economic, governmental, environmental, and social forces in the immediate area must be analyzed, for these are often important determinants of value.

### **Geographic Location:**

The subject property is located in the City of Phoenix, Maricopa County, Arizona, the largest city in Arizona.

### **Maricopa County Data:**

The subject property is located in the north-central portion of the City of Phoenix, Arizona. Fourteen cities comprise the Metropolitan Phoenix-Mesa Area within Maricopa County.

According to the U.S. Census Bureau, the Phoenix Standard Metropolitan Statistical Area (SMSA) encompasses 9,225 square miles within Maricopa County, Arizona. The Metropolitan Phoenix Area (MPA) is located near the center of the State of Arizona and is the county seat of Maricopa County. As shown in the following table, Maricopa County and the City of Phoenix experienced significant growth between 2000 and 2006. The recession that began in 2007 had a negative effect on population growth through 2010, as shown below. However, the data shows that the growth rate began returning to historic levels in 2014.

POPULATION STATISTICS Maricopa County and Phoenix				
Year	Maricopa County	Annual % Chg.	City of Phoenix	Annual % Chg.
2000	3,072,149	n/a	1,321,045	n/a
2005	3,648,545	3.50%	1,452,825	1.92%
2010	3,817,117	0.91%	1,445,632	-0.10%
2012	3,884,117	0.88%	1,464,632	0.66%
2013	3,944,859	1.56%	1,485,751	1.44%
2014	4,087,191	3.61%	1,537,058	3.45%
2015	4,161,218	1.81%	N/A	N/A

Prior to the national and regional recession, expansive growth in the region was typified by increases in employment, population and personal income. Arizona Progress (a publication by Valley National Bank) reported that during the 1960s decade, Phoenix grew

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111% in employment, 53% in population and 20% in personal income. The 1970s showed similar growth trends in which the population rose 55%, employment 66% and personal income increased 283%. Forecasts for future growth in the Metropolitan Phoenix Area are equally optimistic. Metropolitan Phoenix grew from 633,510 persons in 1960 to about 2.12 million people in 1990. This increase represents a percentage change of 235% over a 30-year period.

According to *Arizona's Economy*<sup>8</sup> newsletter, "Arizona remains on a modest growth track, at least compared to the state's long-run average. Even so, Arizona continues to add jobs and residents at a faster pace than the nation and most other states. The good news is that Arizona is well positioned to continue to grow, assuming the nation avoids recession, and the state is also likely to continue to outpace the nation. Gas prices remain well below year-ago levels, which will free up funds for household to use to shore up balance sheets and perhaps even finance additional purchases. The rapidly rising value of the U.S. dollar is a concern, because it may weigh on state export performance."

*"The economic scorecard for 2015 shows the state economy adding jobs, residents, and income. Labor market performance improved, with 61,600 net new jobs and an unemployment rate of 6.1%, according to the preliminary data. The Phoenix metropolitan statistical area (MSA) continued to drive state growth, but the Tucson MSA managed to grind out slow gains. Overall, 2015 was a solid but not great year."*<sup>9</sup>

Arizona construction activity remains a concern, with slow employment, permit and house price gains in 2014. Construction employment increased in 2014, but by just 1.4% which followed a 6.6% increase in 2013. Phoenix house prices, measured by the Case-Shiller Home Price Indices, rose by 6.3% in 2015, 6.6% in 2014, and 19.6% in 2013. Overall construction activity remains sluggish, held back by a variety of factors, including slow population and household growth.

Overall, the outlook is for the state to gain momentum during the next three years. Job growth is forecast to accelerate from 2.4% in 2015 to 2.9% by 2018. Population and

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<sup>8</sup> Dr. George Hammond, "Cross Currents, Arizona's Economy Looks for Smooth Sailing" *Arizona's Economy*, University of Arizona, Eller College of Management, Second Quarter 2015 Forecast

<sup>9</sup> Dr. George Hammond, "Smooth Ride or Bumps Ahead? Arizona's Economy Heads into Uncertain Global Terrain" *Arizona's Economy*, University of Arizona, Eller College of Management, First Quarter 2016 Forecast Update

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income gains show a similar pattern. The Phoenix MSA is forecast to continue to drive state gains, with job growth rising from 2.9% in 2015 to 3.2% by 2018.

Geographical constraints limit growth for the Metropolitan Phoenix Area. The 14 cities that comprise the MPA are clustered in a valley that is bounded by the Tonto National Forest to the north and the Gila Indian Reservation to the south. The Salt River Indian Reservation and the Superstition Wilderness to the east also limit growth. Given these constraints, it is projected that 65% of all growth in the Metropolitan area will occur in the West Valley over the next decade. This area is defined as 91st Avenue on the east, Grand Avenue on the north and Interstate 10 to the south.

### **Economic Factors**

Diversification is the driving force behind the record setting economic growth that has occurred throughout Metropolitan Phoenix. Industries that help create this diversity include manufacturing (including significant high-tech employment), mining and quarrying, construction, transportation, communications, public utilities, trade, finance, insurance, real estate, services and government.

With more than 1.4 million people, Phoenix is the 6<sup>th</sup> largest city in the United States and the financial, commercial, cultural, entertainment and government center of Arizona. More than 550 square miles in size, one of the city's many strengths is its 13 major employment centers, which each employ a workforce of between 400,000 to 1.1 million within a 25-minute commute.

A favorable regulatory climate, reasonable tax rates and labor laws and the heavy concentration of computer and semiconductor companies (Motorola, Intel and others) have contributed to the area's economic success. The desirability of the region for employees is also a strong attraction to companies.

The region's economy is based principally on five sectors including regional and national headquarters functions; computer, semiconductor and electronics industries; defense/aerospace industries; tourism and retirement and construction.

### **Regional and National Headquarters**

There are 46 national and multi-national corporations located in metropolitan Phoenix. Some of these companies include America West Airlines, Benner Health, Circle K Corporation, FINNOVA Corporation, Phelps Dodge, U-Haul International, SGS Semiconductor Corporation and Del Webb Corporation (now a division of Pulte Homes).



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In addition, several large corporations maintain their regional offices in the metropolitan area. These companies include K-Mart, Walgreen Drug Stores, Wendy's, Carl's Jr., Lucky Food Centers, Osco Drug Centers, J.C. Penney Company and Target Stores.

The top five employers in Phoenix are Banner Health, Walmart Stores, Kroger, Wells Fargo, and Albertson's.

### **High Technology Industry**

Many of the country's largest high technology firms are located in the Metropolitan Phoenix Area. These firms are involved in computers, semiconductors and electronics. At least five of the top 100 employers throughout metropolitan Phoenix employ approximately 27,000 persons. As competitive as the high technology industry is, these firms provide a base for attracting related manufacturing, support services and ancillary businesses.

### **Defense/Aerospace Industries**

The defense/aerospace industries in Maricopa County are particularly important. However, with severe defense spending cutbacks, many of these firms underwent significant layoffs during the mid-1990s. Williams Air Force Base in Gilbert was one of the Air Force's primary training facilities in the United States. The military operations have been closed and the airport has been privatized and is now the Phoenix-Mesa Gateway Airport. The airport is utilized by America West Airlines for training activities, and by Sky Harbor International Airport as a relief airport. In addition, Arizona State University operates an east campus at Williams Gateway.

Luke Air Force Base, located in Goodyear in the Southwest Valley is the only remaining Air Force base in the Metropolitan Phoenix Area. This Air Base serves as the U.S. Air Force's primary tactical training facility for F-16 and F-35 fighter jets. The Air Base is a major employer for the Southwest Valley region. The direct economic impact of the air base is \$653 Million, the indirect economic impact is \$1.1 Billion, and the induced impact is \$333 Million, for a total economic impact of \$2.17 Billion.

### **Tourism and Retirement**

Tourists and retirees are primarily drawn to the Phoenix region due to its favorable climate. Nearly seven million visitors from the United States, Canada and other parts of the world are attracted annually to the Valley of the Sun. To accommodate these visitors, there are numerous major hotels and convention centers, several of which are five star rated.

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Approximately 17% of all adults in Metropolitan Phoenix are retirees. Several retirement communities are located in Metropolitan Phoenix to serve this segment of the population. Sun City, located northwest of Phoenix, has an estimated population of 50,000 people. This community includes several golf courses, lakes, recreation centers, shopping plazas and full medical facilities (including a hospital). Sun City West has an estimated population of 32,500 retirees and includes many of the same amenities as Sun City. In addition, this community has a resort hotel and includes a center for the performing arts.

Sun Lakes, located south of Chandler, has a population of 24,000 persons and includes golf courses, recreation centers and neighborhood shopping. Sunland Village East, also located in Mesa, is a proposed residential adult development with a projected population of 6,400. This community includes a golf course, recreation center and neighborhood shopping. Westbrook Village, located northeast of Sun City, will have a projected population of 8,000 and includes a golf course and recreation center.

### **Construction Industry**

Overall construction activity in Metropolitan Phoenix is stratified into several categories. These categories include retail, office, industrial and residential. Historically, construction has fluctuated in Phoenix, as it has in all areas of the country. New development in all sectors has declined significantly since the onset of the recession in 2007.

### **Employment Trends**

Civilian non-farm labor force and unemployment trends for the Phoenix-Mesa Metropolitan Statistical Area for 2010 through 2015 are illustrated in the table below.

Labor Force & Unemployment Data - Phoenix-Mesa MSA						
	2010	2011	2012	2013	2014	2015
Labor Force	2,040,050	2,034,991	2,037,028	2,035,864	2,107,929	2,175,100
Unemployment Rate	9.8%	8.6%	6.7%	6.7%	6.0%	4.7%

Source: U.S. Bureau of Labor Statistics

Unemployment increased in 2008 through 2010 due to the recession. The unemployment began showing improvement in 2011. As of year-end 2015, the unemployment rate is reported to be 4.7%. This compares favorably to the statewide rate of 5.8% for the same period.

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Major companies in Phoenix include Intel, Motorola, SGS Thomson Microelectronics, Microchip Technologies, OLIN Corporation and others. A substantial influx of high technology enterprises has resulted in Metropolitan Phoenix becoming known as the “Silicon Desert.” The Arizona Association of Industries estimates the total economic impact from the high technology sector at more than \$12 billion. Other manufacturing employers that have had an impact on the local economy include:

Major Manufacturers - Metropolitan Phoenix Area	
Allied Signal, Inc.	Honeywell, Inc.
AT&T Corporation	TRW, Inc.
Phelps Dodge Corporation	Revlon Consumer Products Corp
Stone Container Crop.	Cavco Industries, Inc.
Continental Circuits Corp.	Medtronic, Inc.
Microchip Technology	Motorola Corporation

Metropolitan Phoenix is expected to continue to create more jobs and employment. Prior to the recession, the growth rate of employment was about 4% per year. Slow job recovery began in 2011 and a similar trend is forecast through the next two years. Overall, the outlook for employment growth for the next several years is expected to be a slow steady rate.

### **Education**

Currently, a total of 24 institutions of higher learning are located in Metropolitan Phoenix. Of these 24 institutions, six are universities, eleven are community colleges and seven are technical schools. A total of 164,690 students are served by these institutions. Statistically, metropolitan Phoenix has a proven academic track record. A total of 51% of the adults in the Metropolitan Phoenix Area have attended college. Approximately 45% of those attending college have graduated, and some have continued into graduate school.

Opportunities for higher education continue to expand in Metropolitan Phoenix. Arizona State University (ASU) is located in Tempe and has an annual enrollment of over 42,000 students. In order to meet the needs of continued enrollment growth, the ASU West campus was opened to serve the West Valley area. The new campus is situated on 300 acres at Thunderbird Road, between 43<sup>rd</sup> and 51<sup>st</sup> Avenues. ASU West is intended to serve more than 12,000 students. ASU officials reported that of the total 42,000 enrolled students, about 4,800 attend the ASU West campus.

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The DeVry Institute of Technology and the college of Engineering & Computer Science at Arizona State University are two facilities that have been designed to meet the needs of students pursuing a high technology education.

### **Transportation**

The MPA has continued to expand its role as the major distribution center for the Southwest Region of the United States. This is largely attributed to the substantial population and employment growth. Transportation facilities are continually being expanded, and new carriers are entering the market. The two primary modes of transportation in metropolitan Phoenix are land and air. There are a number of carriers serving these transportation segments.

Phoenix is well served by land transportation carriers. Two freight railroad lines serve the City (Southern Pacific and Atchinson, Topeka & Santa Fe). In addition, Amtrak Passenger Trains serve the area. Bus service is provided by Greyhound, Trailways (Transcontinental) and Phoenix Transit (Intracity). Truck service is provided by 10 transcontinental, 34 interstate and 39 intrastate truck lines. UPS, Purolator Courier Service and Air Couriers International also serve the MPA.

Valley Metro began construction of a new light rail transit system in 2006 that now serves the greater Phoenix metro area. The initial line extends 20 miles from Montebello and 19<sup>th</sup> Avenue in the northwest to Longmore and Main Street in Mesa in the southeast. The line will serve Sky Harbor Airport and the downtown core.

The Phoenix Transit System provides bus service to the entire Phoenix area and some of the surrounding communities. It has been estimated that people make 70,000 trips by bus each weekday. With the increased growth in Metropolitan Phoenix, regional public transportation systems will play a key role in alleviating traffic congestion.

Scheduled passenger air service is available at the Sky Harbor Airport in Phoenix which is one of the nation's busiest airports. General aviation services are also available at Sky Harbor Airport, as well as several municipal airports throughout the region. Air passenger statistics are shown in the following table:

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Enplanement Statistics Sky Harbor International Airport		
Year	No. Passengers	% Change
2008	19,450,576	n/a
2009	18,559,647	-4.58%
2010	18,907,171	1.87%
2011	19,750,306	4.46%
2012	19,560,870	-0.96%
2013	19,525,109	-0.02%
2014	20,344,867	4.20%
2015*	5,487,380	N/A

*\*Through March 2015. Annual figures are not yet available.*

The data shows that passenger service declined in 2009 and then increased slightly by 1.87% in 2010, 4.46% increase in 2011 and followed by slight declines in 2012 and 2013. The activity in 2014 indicates a recovery has occurred. The annualized figure through March of 2015 indicates a potential for over 21 million enplanements through the end of the year.

Growth in the Phoenix metropolitan area has occurred along a northwest/southeast diagonal due to physical features and availability of undeveloped land. The existing major freeways provide access to these major growth areas. The major highways include Interstate 10 (which runs south to Tucson) and Interstate 17 (which runs north to Flagstaff). The designated route of Interstate 10 west from Phoenix to Los Angeles was completed in the early 1990s. The southeast area also includes the Superstition Freeway, which extends east from Interstate 10 and provides access to the communities of Mesa, Gilbert and Apache Junction. State Route 51, also known as the Piestewa Freeway, is a north/south highway that connects with the 101 Loop to the north and Interstate 10 to the south. SR 51 also provides direct access to Sky Harbor International Airport. . Traffic congestion increased, and commute times throughout metropolitan Phoenix deteriorated, as the population has increased. By 1980, Phoenix had fewer miles of freeway per capita than any other major metropolitan area in the United States. In response to this problem, the Maricopa Association of Governments (MAG) added 245 miles of new freeways to the existing system. These projects quadrupled the County's freeway miles and bring the area close to the national average of freeway miles per person.

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The following are 2015 demographic statistics for a 1 to 5-mile radius, obtained from STDB.com:<sup>10</sup>

	<b><u>1 Mile</u></b>	<b><u>3 Miles</u></b>	<b><u>5 Miles</u></b>
<i>Population:</i>	9,971	77,031	244,532
<i>Number of Households:</i>	4,190	33,207	102,708
<i>Avg. Household Size:</i>	2.37	2.31	2.35
<i>Median HH Income:</i>	\$76,136	\$57,417	\$56,123
<i>Average HH Income:</i>	\$101,070	\$84,582	\$85,796

**Governmental Forces:**

*Police Protection:* City of Phoenix Police Department

*Fire Protection:* City of Phoenix Fire and Emergency Services

**Environmental Forces:**

*Predominant District Use:* Commercial and residential

*Quality of Surrounding Area:* The neighborhood benefits from its convenient access to the freeway, international airport and the surrounding commercial services.

*Utilities:* All municipal utilities are available, including electricity from, natural gas, and telephone. Water, sewer, and trash removal services are provided by the City of Phoenix.

**Conclusion**

Employment trends and population growth rates are expected to return to historical trends in 2014-15. This will maintain the diverse economic base and demographics for the entire region. Freeway improvement projects have helped to ease traffic congestion in some areas. However, traffic congestion during peak commute hours continues to affect the region. The new light rail system has helped to alleviate some of the congestion.

Residents of Phoenix enjoy an active year round lifestyle due to mild winters and the abundance of recreational opportunities. The area's climate continues to attract new residents and visitors from the colder Northern, East Coast and Midwest states as well as from around the world. The Metropolitan Phoenix Area will continue to generate growth in all market segments for the foreseeable future given the dynamics of job growth, good quality of life, and improvements in the regional transportation system.

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<sup>10</sup> 5-mile radius from the subject property; 2015 statistical data; Site to Do Business (STDBOnline.com)

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## ***SITE ANALYSIS – DISPOSAL AREA 2***

According to the Sketch Plan for Parcel L-C-007 provided to the appraisers by the client, the subject site consists of 69,955.79 square feet, or 1.61 acres, more or less. Surrounding uses are predominantly residential. The subject is primarily encompassed in the C-1, Intermediate Commercial, Zoning District in accordance with the City of Phoenix Zoning Code.

<b>Location:</b>	Northeast corner, Mountain View Road & 32 <sup>nd</sup> Street East of S.R. 51, south of Shea Boulevard Phoenix, Arizona										
<b>Gross Site Area:</b>	69,955.79 square feet, or 1.61 acres, according to the survey sketch provided by the client. The site is a portion of a parent parcel identified as Maricopa County Assessor's Parcel Number 165-22-093. The parent parcel consists of 171,835.73 square feet, or 3.95 acres, more or less, according to the client's records.										
<b>Topography:</b>	Generally level.										
<b>Shape:</b>	Irregular.										
<b>Access:</b>	Access is available from Mountain View Road.										
<b>Visibility:</b>	The subject site has visibility to about 3,700 vehicles per day ("VPD") on Mountain View Road. State Route 51, which is adjacent west, has an average daily traffic volume of 116,000 VPD. 32 <sup>nd</sup> Street has an average daily traffic volume of 7,700 VPD at this location.										
<b>Utilities:</b>	<table><tr><td><i>Water:</i></td><td>City of Phoenix</td></tr><tr><td><i>Electric:</i></td><td>Salt River Project (SRP)</td></tr><tr><td><i>Sewer:</i></td><td>City of Phoenix</td></tr><tr><td><i>Telephone:</i></td><td>Century Link (formerly Qwest Communications)</td></tr><tr><td><i>Natural Gas:</i></td><td>Southwest Gas</td></tr></table>	<i>Water:</i>	City of Phoenix	<i>Electric:</i>	Salt River Project (SRP)	<i>Sewer:</i>	City of Phoenix	<i>Telephone:</i>	Century Link (formerly Qwest Communications)	<i>Natural Gas:</i>	Southwest Gas
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<b>Surrounding Uses:</b>	<table><tr><td><i>North:</i></td><td>State Route 51; ADOT Storm Control Berm/Levee</td></tr><tr><td><i>South:</i></td><td>Residential on interior streets</td></tr><tr><td><i>East:</i></td><td>33<sup>rd</sup> Street; residential on interior streets</td></tr><tr><td><i>West:</i></td><td>State Route 51; residential</td></tr></table>	<i>North:</i>	State Route 51; ADOT Storm Control Berm/Levee	<i>South:</i>	Residential on interior streets	<i>East:</i>	33 <sup>rd</sup> Street; residential on interior streets	<i>West:</i>	State Route 51; residential		
<i>North:</i>	State Route 51; ADOT Storm Control Berm/Levee										
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<i>East:</i>	33 <sup>rd</sup> Street; residential on interior streets										
<i>West:</i>	State Route 51; residential										
<b>Police Protection:</b>	City of Phoenix Police Department										
<b>Fire Protection; Emergency Medical Services:</b>	City of Phoenix Fire Department										



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### ***ASSESSED/FULL CASH VALUATION & TAXES***

2015 Assessed Value Data – Parent Parcel			
APN	2015 Full Cash Value	2015 Assessed Value	2015 Taxes
165-22-093 (Parent Parcel)	\$2,775,000	\$444,000	EXEMPT

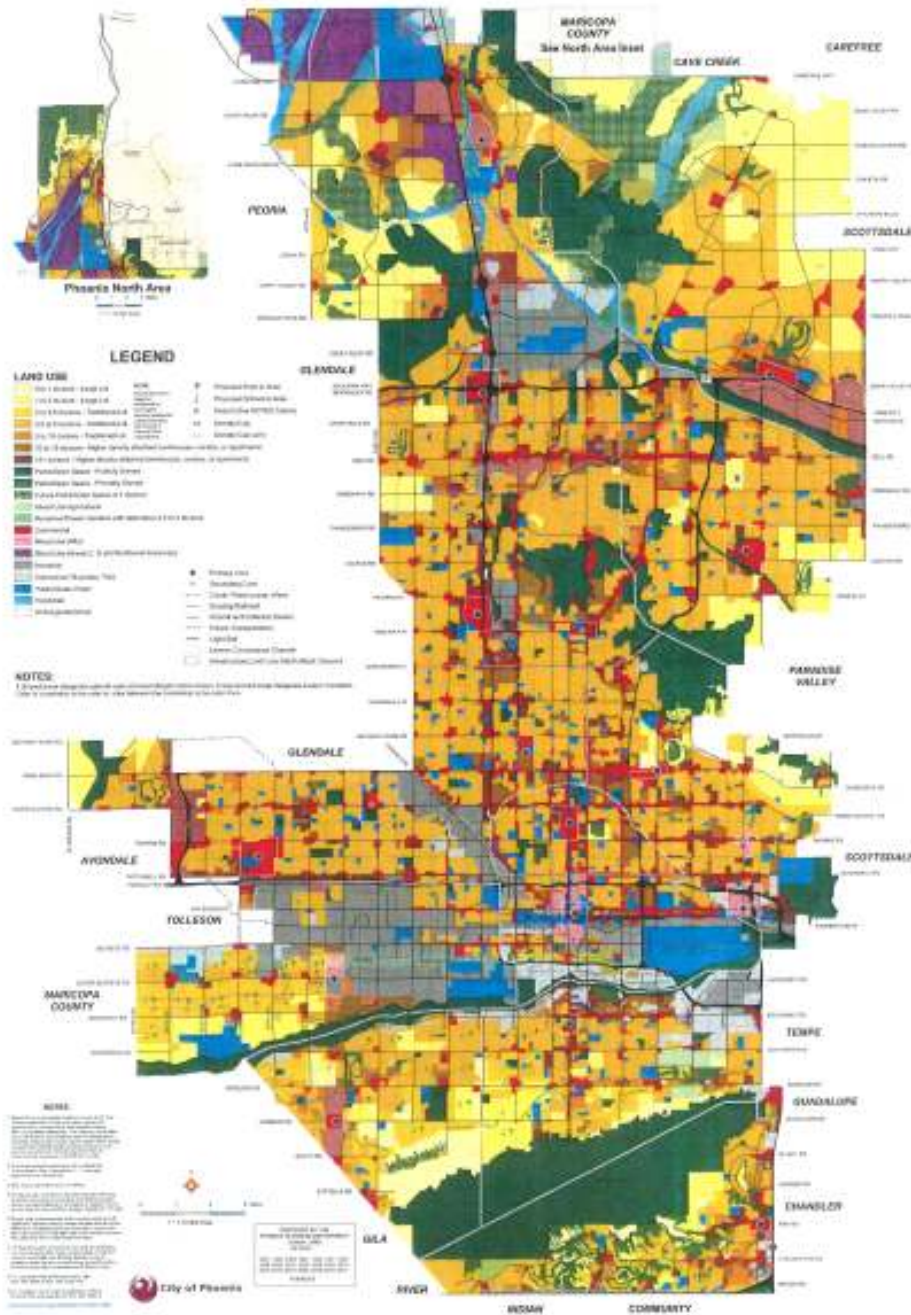
Governmental agencies are exempt from property taxes. *It is an assumption of this appraisal that taxes would be re-calculated for private ownership and would be similar to comparable vacant land parcels in the area.*

**Zoning:** The C-2, Intermediate Commercial, zoning district is for a multitude of commercial uses, which also includes multi-family. However, given the proximity of low density residential uses, many of the more intensive commercial uses would most likely be objectionable to the surrounding property owners. The original use was a charter school. More recently, the existing improvements have had an office use. The City of Phoenix General Plan identified the subject's location as Residential, 3.5 to 5.0 dwelling units per acre. The General Plan Map is provided on the following page.

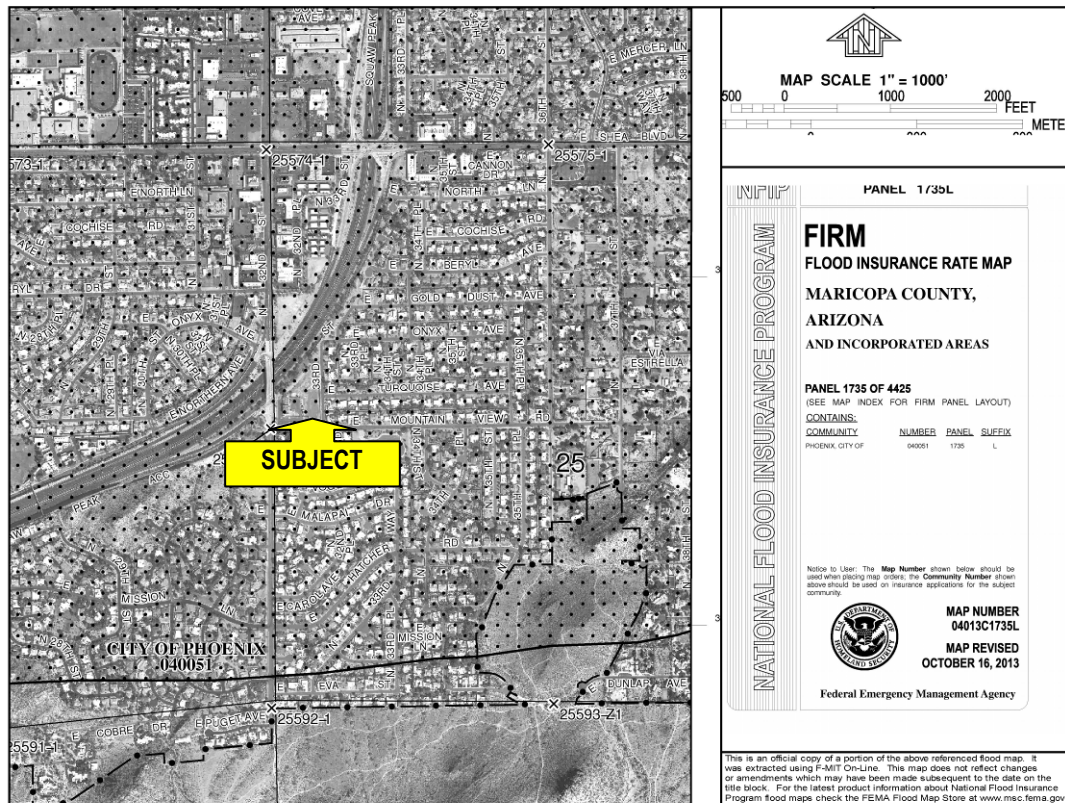
### **CITY OF PHOENIX ZONING MAP**



**CITY OF PHOENIX GENERAL PLAN**  
A Vision for the Future



**Floodplain:** According to FIRM Map Panel Number 04013C1735L, effective October 16, 2013, the subject site is located in Zone X, which is defined by FEMA as an area of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level. The FIRM map is provided below:



**Nuisances & Hazards:** There was no evidence of any soil stains, distressed vegetation, odors, or hazardous materials at the time of inspection. Based on the environmental clearance letter provided to the appraisers by the client, this analysis assumes there are no nuisances or hazards present upon or affecting the subject property.

**Division Of Realty And Personality:** There is no personal property associated with the subject site.

**Site Improvements:** The subject site is improved with perimeter fencing and some chip-seal paving.

**Restrictions & Easements:** It is an assumption of this appraisal that no adverse title conditions affect the subject property. Based on the report provided by the client, *this appraisal assumes that the subject is encumbered by typical utility and access easements.*



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### ***IMPROVEMENTS ANALYSIS***

The existing improvements include a two-story masonry and stucco office building, asphalt-paved parking areas, perimeter fencing, and a security gate.

#### ***General Information:***

<i>Building Area:</i>	11,075 Square Feet, according to the appraisers' measurements.
<i>Year Built / Age:</i>	1994 / 22 Years, according to the Maricopa County Assessor's records.
<i>Floor Area Ratio:</i>	15.83% based on a 69,955.79 square-foot site.

#### **EXTERIOR:**

<i>Foundation:</i>	Reinforced concrete slab with spread footings.
<i>Walls:</i>	Concrete block and stucco
<i>Windows:</i>	Fixed dual pane clerestory windows in anodized aluminum frames.
<i>Roof:</i>	Pitched roof with composition shingles.
<i>Doors:</i>	Single & double, metal personnel doors.
<i>Quality:</i>	Average to low-cost quality, Class C office building in accordance with <i>Marshall Valuation Service</i> , Section 15, Page 17.
<i>Condition:</i>	Average

#### **INTERIOR:**

<i>Build-out finishes:</i>	7,922 square feet is finished with low cost commercial-grade carpeting over concrete floors in offices and open work areas. A storage area with 3,153 square feet has exposed concrete floors and un-finished wood-framed interior walls. There is exposed electrical conduit and telephone cabling and ceiling-mounted fluorescent lighting.
<i>Floors:</i>	Office areas have commercial grade carpeting. Restrooms have ceramic tile floors.
<i>Partition Walls:</i>	Taped, textured, and painted drywall.
<i>Ceilings/Lighting:</i>	Sprayed acoustic. Flush, ceiling-mounted fluorescent lighting.

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<i>Ceiling Height:</i>	8 to 10 feet.
<i>Restrooms:</i>	<p>Ground floor has one men's and one women's restroom, each with a two-sink laminate vanity. Men's restroom has one ADA stall, two urinals, and one standard stall. Women's restroom has one ADA stall and two standard stalls. Access is available only from exterior.</p> <p>Second floor has one men's and one women's restroom, each with a one-sink vanity and one stall.</p>
<b>MECHANICAL:</b>	
<i>Electrical:</i>	3-phase, 4-wire electric system.
<i>Heating &amp; Cooling:</i>	4 roof-mounted package HVAC heating and cooling units, plus two smaller split systems.
<i>Fire Sprinklers:</i>	None.
<b>PARKING:</b>	Open, unmarked parking.
<b>SITE IMPROVEMENTS:</b>	Asphalt-paved parking, perimeter chain link and masonry fencing, plus a security gate.
<b>EFFECTIVE AGE / REMAINING ECONOMIC LIFE:</b>	The actual age of the improvements is 22 years. The condition is considered fair, overall, with some deferred maintenance. The effective age is 20 years. Based on an estimated economic life of 50 years for an average quality, Class C, building, the remaining economic life is 30 years.
<b>FUNCTIONAL UTILITY:</b>	Functional utility is rated as average.
<b>AMERICANS WITH DISABILITIES ACT (ADA):</b>	The entrances are at ground level and the restrooms appear to comply with ADA standards. The ADA was adopted in 1990 and updated in 2008.
<b>CONDITION:</b>	Condition is considered fair.
<b>DEFERRED MAINTENANCE:</b>	Stained, sprayed acoustic ceilings, interior paint, worn carpeting, outdated lighting and plumbing fixtures.

## SKETCH/AREA TABLE ADDENDUM

<b>SUBJECT</b>	Property Address																																																			
	City		State      Zip																																																	
	Borrower																																																			
	Lender/Cient																																																			
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Southwest Appraisal Associates

APEX SOFTWARE 800-838-8988

Apex7100 in Apex v5

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***SUBJECT DISPOSAL AREA 2***  
***Front View***



***Side View – North Elevation***





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*Upper Level Balcony*



*Rear & Side View – South & West Elevation, view from Mountain View Road*



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***Ground Floor - Men's Restroom***



***Ground Floor – Women's Restroom***



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*Ground Floor – Storage Room*



*Ground Floor - Open Work Area*

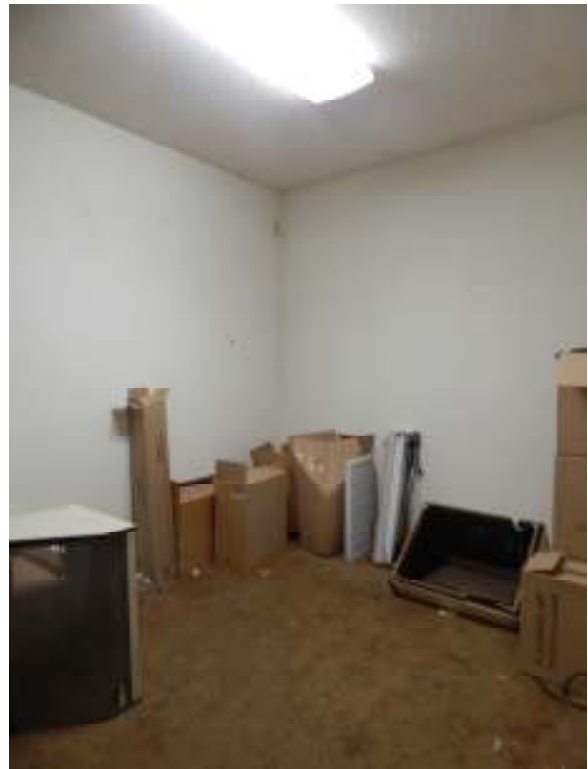


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*Ground Floor - Open Work Room*



*Typical Private Offices*



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*Second Floor – Storage Area*



*Second Floor – Additional Storage Area*



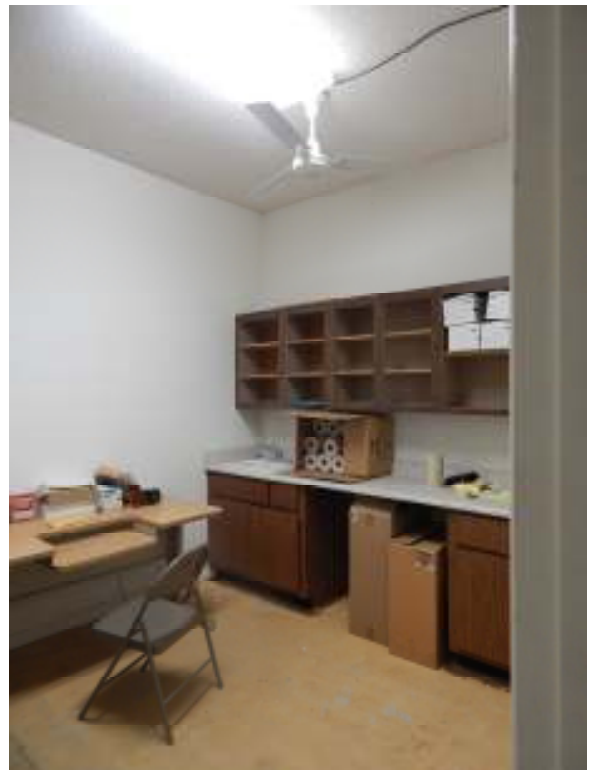


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*Second Floor – Restrooms*



*Second Floor - Offices*



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*Street View – 32<sup>nd</sup> Street*



*Street View – Mountain View Road  
View Facing East – Subject on left*





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### ***HIGHEST AND BEST USE***

According to *The Appraisal of Real Estate, 14<sup>th</sup> Edition*, published by the Appraisal Institute, highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. (Page 305)

The highest and best use of the land as vacant must meet four criteria. The highest and best use must be:

- 1) ***Legally Permissible:*** What uses are permitted by zoning, private restrictions, historic districts, and environmental regulations on the site?
- 2) ***Physically Possible:*** Based on the physical characteristics of the site, what uses are physically possible?
- 3) ***Financially Feasible:*** Which uses meeting the first two criteria will produce a positive return to the owner of the site?
- 5) ***Maximally Productive:*** Among the feasible uses, which use will produce the highest price, or value, consistent with the rate of return warranted by the market? This use is the highest and best use.

The four tests above have been applied to the subject property in the following paragraphs.

### ***AS IF VACANT***

#### ***Legally Permissible:***

The subject property is located in the C-2, Intermediate Commercial, zoning district in the City of Phoenix. This zoning district permits a wide range of commercial uses, some of which may be objectionable to the surrounding residential property owners. There are no existing commercial uses in the immediate area. Calls and e-mails to the City of Phoenix Planning and Development Services to ascertain the most likely uses that may be permitted on the subject site, given the surrounding low-density residential uses were not returned. Based on our professional judgment and experience, the most likely legally permissible uses that would be acceptable to the surrounding property owners are professional office, child care, adult care or assisted living, charter school, self-storage, church or special purpose, a community park, or residential use.

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***Physically Possible:***

The subject is located at the northeast corner of Mountain View Road and 32<sup>nd</sup> Street, just east of the SR-51 northbound off-ramp for 32<sup>nd</sup> Street. All utilities are available along the south boundary. The property is located in un-shaded Zone X which is defined as “Areas determined to be outside 100-year floodplain.”

Improved properties in the immediate vicinity are single-family residences. SR-51, which is one block west, is a multi-lane state highway. The property has physical and legal access from Mountain View Road.

Based on the foregoing, the most likely legally permissible and physically possible uses, as if vacant, include single or multi-family residential, child care, charter school, church, self-storage, or assisting living.

***Financially Feasible and Maximally Productive:***

The financially feasible use for vacant land is indicated by the demand that is generated in the market area of the subject property. Demand for vacant land is demonstrated by the sales that are included in the Sales Comparison Approach. Interviews with local brokers indicated that the land market in the Phoenix area is showing some recovery. Most of the recent demand, however, has been for users that have a need for a specific location. There has been little demand for speculative development. The area’s economy is strong and the coming year should bring more activity.

Given the subject’s location and zoning, the most likely financially feasible and maximally productive use, as if vacant, is for residential, or special purpose use in accordance with applicable zoning regulations that meets with neighborhood approval. Such uses may include in-fill residential, child care, assisted living, church, charter school, self-storage, or a community park.

***Highest and Best Use:***

Based on the foregoing, the highest and best use, as if vacant, is in-fill residential, office, or special purpose use that conforms to applicable zoning regulations.

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## ***AS IMPROVED***

### ***Legally Permissible:***

The existing office use is permitted in the C-2 zoning district. The subject was originally built as a charter school. However, some of the original buildings have been demolished and the remaining building has been used for offices and storage since it was acquired by ADOT in 1989. For properties zoned commercial prior to January 5, 1994, “all uses permitted in R1-6, non-single-family residential, and single-family attached uses permitted in R-3, R-4, R-5, R-4A, and C-1 districts are permitted. In addition, many medium-intensity commercial uses are permitted. However, given the lack of surrounding commercial uses, the most likely, legally permissible use is continued office use, child-care, school, or special purpose use that conforms to zoning regulations. Lower density residential use may also be conditionally permitted, given the surrounding low-density residential uses.

### ***Physically Possible:***

The existing building improvements have a coverage ratio of 15.8%, which provides sufficient site area for expansion. The building is believed to have been constructed in 1994, according to the Maricopa County Assessor’s records. The building is 22 years old with an effective age of about 20 years. The improvements have been used for records storage and are in fair to average condition. Renovation and modernization are necessary, including floor covering, interior and exterior paint, lighting, and plumbing fixtures for any future use.

The property has convenient access from S.R. 51, via Mountain View Road off 32<sup>nd</sup> Street in the City of Phoenix. The physically possible use of the subject property, as improved, is continued office use with renovation, or conversion to another use that conforms to zoning regulations and surrounding uses. Any physically possible use requires renovation.

### ***Financially Feasible:***

The financially feasible use of a property is one that is physically possible, legally permissible, and creates a positive return for the investor. The subject is owned by ADOT and is currently used for records storage.

Analysis of the Phoenix office market indicates that the majority of small to mid-size office properties are occupied by owner-users. According to the 4<sup>th</sup> Quarter Phoenix

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*Office Market* report published by CoStar Comps, there was positive net absorption of 2,172,769 square feet in 2015, the highest net absorption in the office market since 2012. Vacancy was 16.3%, which represents the lowest vacancy rate in the Phoenix office market since 2007. The average quoted lease rate in 2015 was \$22.10 per square foot, which represents a 4.7% increase from 2014. Total office building sales activity in 2015 was up compared to 2014 and capitalization rates were lower in 2015, averaging 7.39% compared to 2014 when they averaged 7.73%. Overall, the office market in Phoenix is improving, but is far from recovery.

Given the subject's age, condition, and location in a residential neighborhood, the financially feasible use is for renovation and conversion to a special purpose use, or redevelopment to a residential use that conforms to zoning requirements and meets with neighborhood approval.

***Maximally Productive:***

The maximally productive use of a property is the one that is physically possible, legally permissible, financially feasible, and that provides the greatest return or yield to the owner or investor. The maximally productive use, as improved is renovation for office use, or redevelopment to return to a school, or special purpose use that complies with zoning regulations and meets with neighborhood approval.

**Conclusion:**

Based on the foregoing, the highest and best use, as improved, is renovation for continued office, or special purpose use that conforms to zoning regulations and meets with neighborhood approval.

***SALES COMPARISON APPROACH***

In the Sales Comparison Approach to value, sales of similar improved properties are analyzed and adjusted compared to the subject property. This approach applies the principle of substitution which affirms that, when a property can be replaced, its value tends to be set by the cost of acquiring an equally desirable substitute property without undue or costly delay.

Adjustments to the comparable sales are made for each of the following elements of comparison: real property rights conveyed, financing terms, conditions of sale, market conditions, location and physical characteristics. The most appropriate unit of comparison

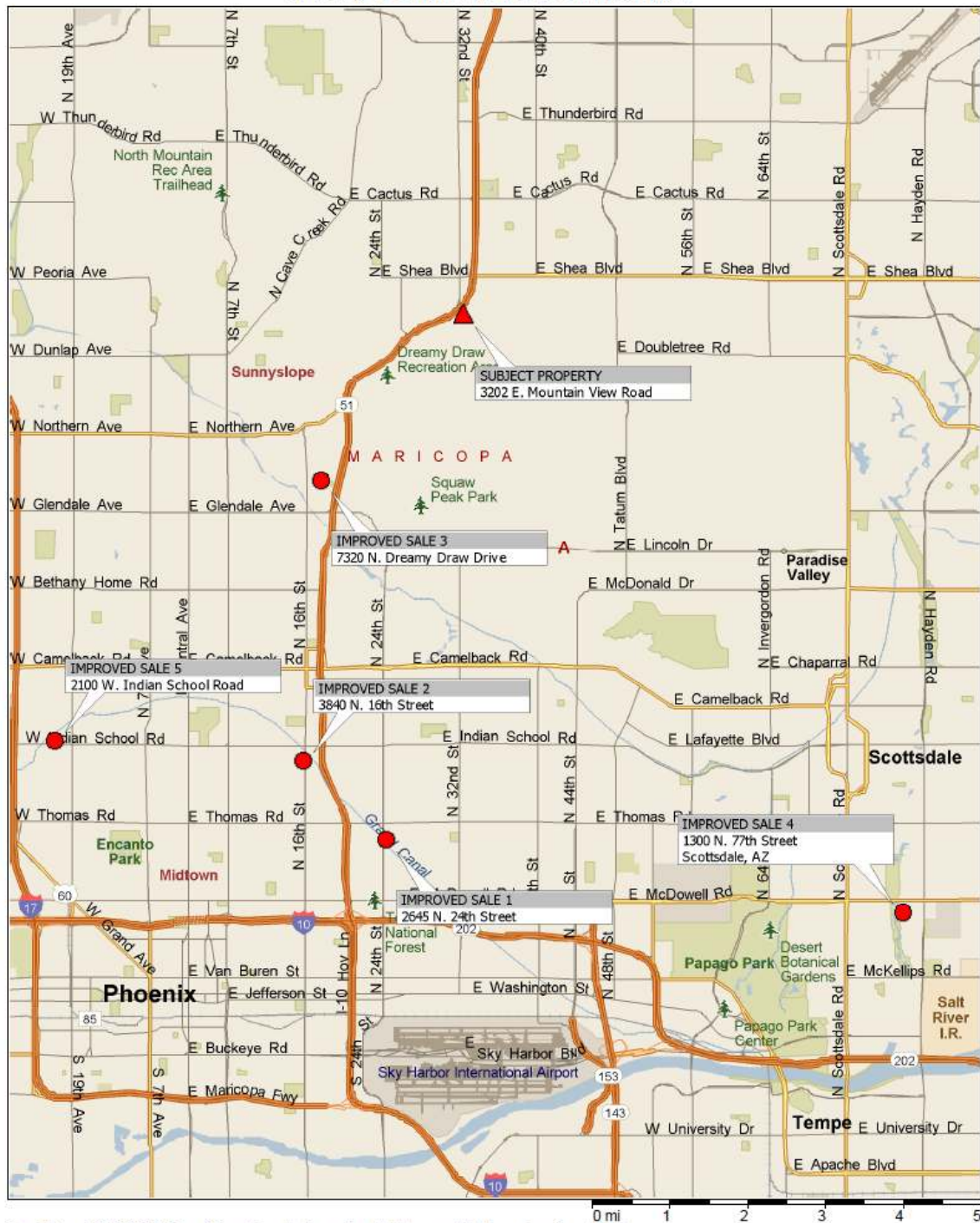
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for this type of property is the sale price per square foot of building area. This unit of comparison is calculated by dividing the sales price by the gross building area.

Our initial search for comparable sales focused on office and school parcels with one to five acres in the Phoenix metropolitan area. The sale data selected is considered to be the best available for this appraisal.

Here follows an overall sales map, individual sales data sheets with photographs, aerial views, plat maps, and our valuation analysis.

## OVERALL IMPROVED SALES MAP



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 Portions © 1990–2006 InstallShield Software Corporation. All rights reserved. Certain mapping and direction data © 2005 NAVTEQ. All rights reserved. The Data for areas of Canada includes information taken with permission from Canadian authorities, including: © Her Majesty the Queen in Right of Canada, © Queen's Printer for Ontario, NAVTEQ and NAVTEQ ON BOARD are trademarks of NAVTEQ. © 2005 Tele Atlas North America, Inc. All rights reserved. Tele Atlas and Tele Atlas North America are trademarks of Tele Atlas, Inc.

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## **COMPARABLE IMPROVED SALE**



<b>COMPARABLE SALE:</b>	<b>1</b>
LOCATION:	2645 N. 24 <sup>th</sup> Street Phoenix, AZ 85008
LEGAL DESCRIPTION:	Lots 1 & 2, Block 9, Foote Addition, Maricopa County, Arizona
ASSESSOR PARCEL NUMBER:	120-36-043 and -044
RECORDS:	Instrument: Warranty Deed Date Recorded: 6/17/15 Document #: 20150433327
SELLER:	Boys & Girls Clubs of Metropolitan Phoenix
BUYER:	CSDCPC Create Academy, LLC
SALE PRICE:	\$1,100,000
TERMS:	Cash to Seller via private financing.
SITE SIZE:	23,344 S.F.
SIZE OF IMPROVEMENTS:	15,360 S.F.
SITE COVERAGE RATIO:	65.8%



SALE PRICE PER SQ. FT.: \$71.61

ZONING: R-5, City of Phoenix

AGE AND YEAR BUILT: 42 / 1973. Renovated in 1990

CONDITION: Good

FLOODPLAIN: ZONE X, Outside the 100-year flood hazard area.

SALES HISTORY: No prior sales within 5 years of sale date.

MARKETING TIME: 16 Days

CONFIRMED WITH: Amy Gibbons, Seller's Representative  
(602) 954-8182

DATE CONFIRMED: April, 2016

DESCRIPTION OF IMPROVEMENTS: Two-story office building built in 1973 and renovated in 1990. The buyer will operate a charter school out of the building.

COMMENTS: Buyer and Seller represented themselves in this transaction. Seller was motivated to sell to an entity that would keep use as a community or educational center. Charter Schools Development Corporation (CSDC) is a non-profit organization that promotes education by financing and developing facilities for charter schools nationally.

## PLAT MAP





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## **COMPARABLE IMPROVED SALE**

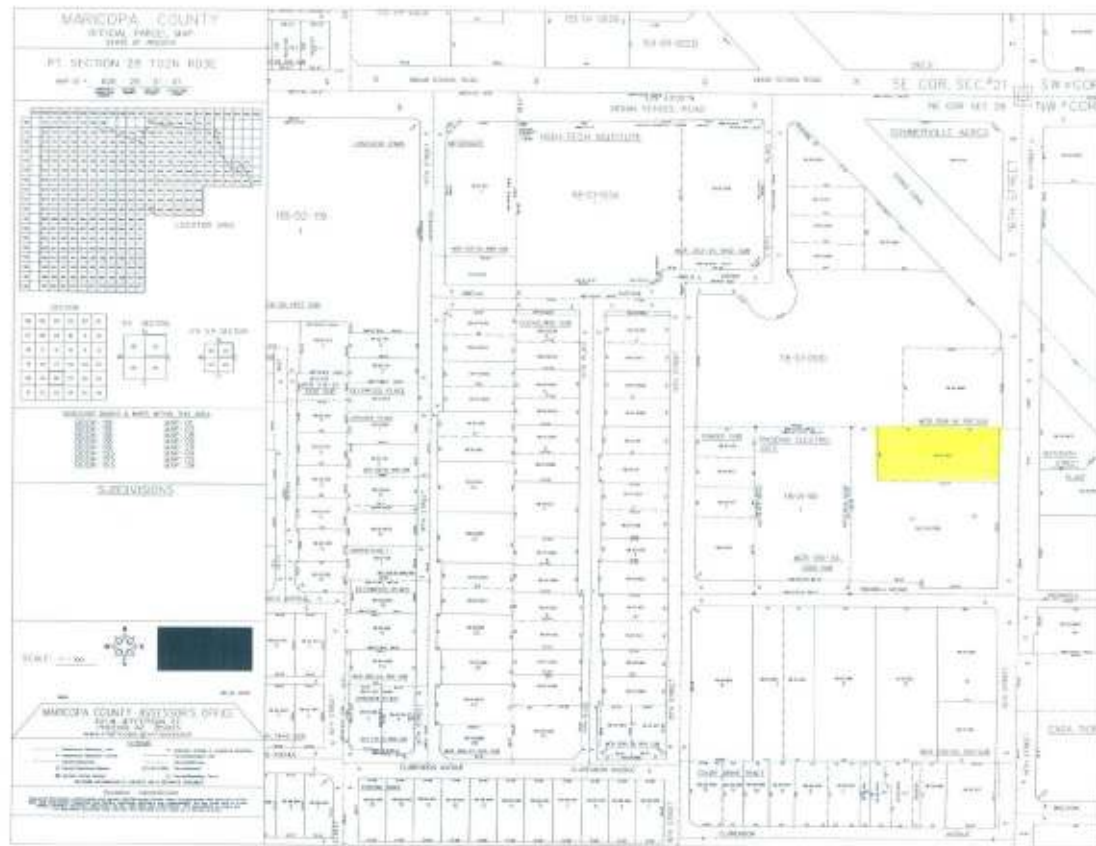


<b>COMPARABLE SALE:</b>	<b>2</b>
LOCATION:	3840 N. 16 <sup>th</sup> Street Phoenix, AZ 85016
LEGAL DESCRIPTION:	North 106 feet of Lots 4 and 5, Dundee Subdivision, Maricopa County, Arizona
ASSESSOR PARCEL NUMBER:	118-01-081
RECORDS:	Instrument: Special Warranty Deed Date Recorded: 6/11/14 Document #: 2014422879
SELLER:	Troop 1999 Family Trust Troop Real Estate
BUYER:	Reyar Properties Red Cup Living
SALE PRICE:	\$511,000
TERMS:	\$103,000 Cash Down Payment (20%) \$408,000 Seller Financing at undisclosed terms
CONDITIONS OF SALE:	Market
SITE SIZE:	25,121 S.F.

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SIZE OF IMPROVEMENTS:	8,579 S.F.
SITE COVERAGE RATIO:	34.15% 43 Parking Spaces Available on site
SALE PRICE PER SQ. FT.:	\$59.56
ZONING:	C-2, Commercial, City of Phoenix
AGE AND YEAR BUILT:	38 / 1976
CONDITION:	Average
THREE YEAR HISTORY:	1/28/06 - \$700,000
MARKETING TIME:	374 Days
CONFIRMED WITH:	Ryan O'Connor, Newmark Grubb Knight Frank (602) 952-3831
DATE CONFIRMED:	April, 2016
DESCRIPTION OF IMPROVEMENTS:	One-story office building of masonry & stucco construction.
COMMENTS:	The buyer intends to operate its on-line sales and distribution business from this location.

## PLAT MAP



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## **COMPARABLE IMPROVED SALE**



<b>COMPARABLE SALE:</b>	<b>3</b>
<b>LOCATION:</b>	7320 N. Dreamy Draw Drive Phoenix, AZ 85020
<b>LEGAL DESCRIPTION:</b>	Portion of the NE4, NW4, SW4 of Section 3, Township 2 North, Range 3 East, G&SRB&M, Maricopa County, Arizona
<b>ASSESSOR PARCEL NUMBER:</b>	164-24-021K
<b>RECORDS:</b>	Instrument: Warranty Deed Date Recorded: 8/15/14 Document #: 20140538726
<b>SELLER:</b>	Linda G. Sheff, Estate of Albert G. Sheff
<b>BUYER:</b>	Peterson Investment Group, LLC
<b>SALE PRICE:</b>	\$510,000
<b>TERMS:</b>	Cash
<b>SITE SIZE:</b>	22,738 S.F.
<b>SIZE OF IMPROVEMENTS:</b>	6,687 S.F.
<b>SITE COVERAGE RATIO:</b>	29.41%

SALE PRICE PER SQ. FT.:	\$76.27
ZONING:	C-O, City of Phoenix
AGE AND YEAR BUILT:	16 / 1998
CONDITION:	Average. Listing Broker reported that there was about \$100,000 in deferred maintenance. .
THREE YEAR HISTORY:	11/21/03 - \$900,000 4/13/99 - \$873,000
MARKETING TIME:	329 Days
CONFIRMED WITH:	Homer Savard, Commercial Properties, Inc. (480) 522-2787
DATE CONFIRMED:	April, 2016
DESCRIPTION OF IMPROVEMENTS:	2-story, masonry & stucco construction, built in 1998. Surrounding area is predominantly office, multi-family, and residential.
COMMENTS:	None

### PLAT MAP



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SALE PRICE PER S.F.:	\$64.70
ZONING:	R-5, City of Scottsdale
AGE AND YEAR BUILT:	37 & 30 / 1977 & 1984
CONDITION:	Average; Some deferred maintenance Made about \$200,000 in Tenant Improvements for new school tenant.
FLOODPLAIN:	ZONE X, Outside 100-year flood hazard area
SALES HISTORY:	9/23/99 - \$550,000
MARKETING TIME:	Direct Sale; Not listed.
CONFIRMED WITH:	Thomas Frenkel, Buyer (602) 989-7295
DATE CONFIRMED:	April, 2016
DESCRIPTION OF IMPROVEMENTS:	3 buildings with a combined building area of 14,220 S.F., according to buyer & LoopNet listing.
COMMENTS:	Property was vacant at time of purchase. However, buyer subsequently leased 100% to a private school soon after purchase. Buyer made about \$200,000 in tenant improvements for the new tenant.







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## **COMPARABLE IMPROVED SALE**



<b>COMPARABLE:</b>	<b>5</b>
<b>LOCATION:</b>	2100 W. Indian School Road Phoenix, AZ 85015
<b>LEGAL DESCRIPTION:</b>	Tract A, Arrow Acres, a portion of Section 24, Township 2 North, Range 2 East, G&SRB&M, Maricopa County, Arizona.
<b>ASSESSOR PARCEL NUMBER:</b>	154-29-041
<b>RECORDS:</b>	Instrument: Special Warranty Deed Date Recorded: 4/29/13 Document No.: 2013398333
<b>SELLER:</b>	Academy of America
<b>BUYER:</b>	Pan-American Elementary Charter School
<b>SALE PRICE:</b>	\$1,024,000
<b>PER SQUARE FOOT:</b>	41.91
<b>TERMS:</b>	26.9% Down; Private Financing
<b>SITE SIZE:</b>	99,874 S.F.

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SIZE OF IMPROVEMENTS:	24,436S.F.
SITE COVERAGE RATIO:	24.47%
ZONING:	R-5, City of Phoenix
AGE AND YEAR BUILT:	43 / 1970
CONDITION:	Fair. Improvements were vacant for 3 years prior to sale.
THREE YEAR HISTORY:	4/11/2000 - \$1,060,000
MARKETING TIME:	369 days
CONFIRMED WITH:	Ken Clark, HomeSmart Real Estate (602) 561-5881
DATE CONFIRMED:	April, 2016
DESCRIPTION OF IMPROVEMENTS:	Facility includes 16 classrooms, a cafeteria, a theatre, and administrative offices. Buyer intends to renovate and open new school in August, 2013.
COMMENTS:	None

[illegible]

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### ***IMPROVED SALES COMPARISON ANALYSIS***

Five improved sales are included in the analysis. Commercial real estate sales activity has been gradually improving from the lingering effects of the recession. The majority of the transactions that have been occurring have been for users that have a specific need for a certain location. The data presented herein is considered the best available.

Adjustments are made to each comparable sale for differences in property rights conveyed, financing terms, conditions of sale, market conditions, location, physical characteristics, zoning and intended use. Quantitative adjustments have been made for elements of comparison including property rights conveyed, financing terms, conditions of sale, and date of sale. There is inadequate support for quantitative adjustments for elements of comparison involving location and physical differences. Therefore, qualitative adjustments are utilized for the remaining elements of comparison.

Here follows the analysis of the sales by each element of comparison. An adjustment matrix summarizing the adjustments as they apply to the comparable sales precedes the conclusion of this analysis.

#### ***Property Rights Conveyed:***

No adjustments are made for property rights conveyed. The fee simple interest was transferred for each of the comparable sales.

#### ***Financing Terms:***

All of the sales, except Sale Two, were cash-equivalent transactions. Adjustments are unnecessary. Sale Two involved a 20% cash down payment with the seller financing the balance at undisclosed terms. Given a down payment that is typical of conventional financing terms, no adjustment is applied.

#### ***Conditions of Sale:***

All of the sales except Sale One and Four involved no extraordinary conditions and adjustments are unnecessary. Sales One and Four were direct sales with no real estate commissions paid. An upward adjustment representing a typical commission is applied to these sales.

#### ***Market Conditions (Date of Sale):***

The transaction dates for the comparable sales are from May 1, 2013, to June 17, 2015. The effective date of value for this appraisal is March 24, 2016. Real estate values

decreased in virtually all major market areas throughout the state due to the deep decline in the housing market and the recession. In the greater Phoenix metro area, home and land prices decreased significantly from 2007 through 2011. Prices began improving in 2012 through 2105. Recovery has commenced in Phoenix. Based on CoStar market reports for the retail and office sectors in Phoenix, rental rates for retail properties have increased almost 4% year over year, vacancy rates are decreasing, and capitalization rates were lower in 2015, averaging 7.46% compared to 8.00% in the prior year. Based on a decline in cap rates, sale prices of improved retail properties have increased about 7.25%, year over year. The office sector has seen slight improvement, with cap rates decreasing about 4.4% from the prior year. Vacancy rates are slowly improving and asking rents are increasing slightly.

While the commercial real estate market is showing improvement, there hasn't been sufficient demand to place significant upward pressure on sale prices. Based on the foregoing information, no adjustments are made for changes in market conditions.

### **Location**

#### ***General Location/Access/Visibility:***

One of the most significant elements of value is location. The subject is located on the north side of Mountain View Road, on the east side of 32<sup>nd</sup> Street at the State Route 51 interchange. Traffic volume on Mountain View Road at this location is about 3,700 vehicles per day ("VPD"). Traffic volume on SR-51 at the subject location is about 116,000 VPD. Mountain View Road is a two-lane residential street at this location. Thirty-second Street crosses over S.R. 51 just north of the subject. The immediate neighborhood is residential.

Location demographic characteristics within a one-mile radius and traffic volume for the subject and comparable sales are described in the following table.

<b><u>Category</u></b>	<b><u>Subject</u></b>	<b><u>Sale 1</u></b>	<b><u>Sale 2</u></b>	<b><u>Sale 3</u></b>	<b><u>Sale 4</u></b>	<b><u>Sale 5</u></b>
2015 Population	<b>7,329</b>	23,262	21,712	11,560	15,026	30,478
2015 Median Household Income	<b>\$78,447</b>	\$27,840	\$38,002	\$56,098	\$40,199	\$30,341
Median Home Value	<b>\$338,137</b>	\$127,759	\$149,209	\$281,198	\$189,229	\$122,349
Traffic Volume						
Local	<b>7,700</b>	23,540	25,478	0	0	37,514
Freeway	<b>116,000</b>	N/A	N/A	134,000	N/A	N/A

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The subject's general location is superior to each of the sales in terms of median household income, median home value. In terms of population within a one-mile radius that would support an office, school, or local business at the subject location, all of the sales are superior to the subject. Sales Three and Four are the most similar to the subject in location characteristics. No general location adjustments are applied to Sales One, Two, Three, and Five. A downward adjustment is applied to Sale Four for its location in the City of Scottsdale, which is considered a superior location by typical buyers. In a residential neighborhood, visibility to a large volume of traffic is not typically desired. However, the subject has convenient access to and from State Route 51, which is beneficial. These are considered offsetting characteristics and no adjustments are applied for access and visibility.

**Physical Characteristics**

***Size:***

The appraised subject property consists of 11,075 square feet of gross building area on a site size of 69,956 square feet. The comparable sales have gross building areas that range from 6,687 to 24,436 square feet. Due to economies of scale, the market frequently recognizes that a smaller parcel tends to sell at a higher price per acre. Conversely, a larger parcel tends to sell at a lower price per acre. Analysis of the data indicates that economies of scale are present for Sale Three and a downward adjustment is applied.

***Quality of Construction:***

The subject improvements are average to low cost quality masonry and stucco construction with composition shingle roofing and low-cost interior finishes. All of the comparable sales, except Sale Three, are similar in quality of construction and interior finishes. Sale Three has superior exterior architectural finishes and interior office finishes. No adjustments for quality of construction are applied to Sales One, Two, Four, and Five. A downward adjustment is applied to Sale Three.

***Year Built / Condition:***

The subject was built in 1994, according to the Maricopa County Assessor's records. As such, it is 22 years old. The improvements have been unoccupied for several years and exhibit a fair level of maintenance. Items of deferred maintenance include stained, sprayed acoustic ceilings, worn carpeting and vinyl floor coverings, outdated lighting and plumbing fixtures, and interior paint. The overall condition is considered fair.

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Each of the sales, except Sale Five, is in superior condition, overall, and downward adjustments are indicated. Sale One was originally built in 1973, but was renovated in 1990 and was in good condition, overall at the time of sale. A significant downward adjustment is applied for condition. Sales Two, Three, and Four each were reportedly in average overall condition with some items of deferred maintenance. Sale Five was built in 1975 and considered in fair condition overall since it had been vacant for three years prior to the sale. No adjustment is necessary.

***Site Coverage Ratio:***

The subject has a coverage ratio of 15.83%, based on the site size of 69,956 square feet. All of the sales have higher coverage ratios, which limits parking and expansion potential. Upward adjustments are applied.

***Zoning/Intended Use***

The subject property is located in the C-2, Intermediate Commercial, zoning district for the City of Phoenix. This zoning permits a variety of commercial, office, service business, and residential uses and other similar uses. The improvements were originally used by a private school. However, the building was used for offices and records storage for a number of years. The highest and best use is most likely continued office use with renovation, conversion to a school or other special purpose use, or re-development to a residential use that conforms to the neighborhood market. All of the sales have school or office uses. No adjustments are applied.

The Land Sales Adjustment Matrix is presented on the following page.



# IMPROVED SALES ADJUSTMENT MATRIX Arizona Department of Transportation Excess Holdings - Parcel L-C-007

ELEMENTS OF COMPARISON	SUBJECT		SALE 1		SALE 2		SALE 3		SALE 4		SALE 5	
	Disposal Area 2		PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	PER SF ADJUSTMENTS	
SALE PRICE PER S.F.	3202 E. Mountain View Road	2645 N. 24th Street Phoenix, AZ 85008	\$1,100,000	\$511,000	3840 N. 16th Street Phoenix, AZ 85016	\$59,56	7320 N. Dreamy Draw Phoenix, AZ 85020	\$76,27	1300 N. 77th Street Scottsdale, AZ	\$64,70	2100 W. Indian School Road Phoenix, AZ 85015	\$41,91
PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	0%	0%	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%
ADJUSTMENT												
FINANCING TERMS	Assume cash to seller	Cash to Seller	0%	0%	Cash & Seller financing	0%	Cash	0%	Cash to Seller	0%	Cash & Private Financing	0%
ADJUSTMENT												
CONDITIONS OF SALE	Market	Direct Sale; No Commissions			Market	0%	Market	0%	Direct Sale - No Commissions	0%	Market	0%
ADJUSTMENT												
DATE OF SALE	March 24, 2016	June 17, 2015			June 27, 2014	0.00%	August 15, 2014	0.00%	May 30, 2014	0.00%	May 1, 2013	0.00%
ADJUSTMENT												
ADJUSTED SALE PRICE PER S.F.						\$59,56		\$76,27		\$68,58		\$41,91
LOCATION	City of Phoenix	City of Phoenix			City of Phoenix	0%	City of Phoenix	0%	City of Scottsdale	-10%	City of Phoenix	0%
Access & Visibility	N/A	Good			Good / Average	0%	Good / Average	0%	Good / Average	0%	Good / Average	0%
ADJUSTMENT												
ADJUSTMENT												
PHYSICAL CHARACTERISTICS												
Gross Building Area (Square Feet)	11,075	15,360			8,579	0%	6,687	-10%	14,220	0%	24,436	20%
ADJUSTMENT	N/A	0%			0%		-10%		0%		0%	
Quality/Construction	Average/Masonry & Stucco	Average/Masonry & Stucco			Average /Masonry & Stucco	0%	Good/Masonry & Stucco	-10%	Average /Masonry & Stucco	0%	Average / Masonry	0%
ADJUSTMENT												
Year Built / Condition	1994 / Fair; Deferred	1973; Reno 1990 / Good			1976 / Average	-10%	1988 / Avg / Deferred	-10%	1977 & 1984 / Deferred	0%	1975 / Fair / Deferred	0%
ADJUSTMENT		-40%			-10%		Maintenance	-10%	Maintenance	0%	Maintenance	0%
ADJUSTMENT		(\$30.36)			(\$5.96)		(\$7.63)		(\$6.86)			
Site Coverage Ratio	15.83%	65.80%			34.15%		29.41%		32.51%		24.47%	
Parking Availability	Open; Not marked	30 spaces; Adequate			43 spaces; Adequate		24 spaces; Adequate		25 spaces; Adequate		190 spaces; Good	
ADJUSTMENT	N/A	25%			10%		10%		10%		10%	
ADJUSTMENT		\$18.98			\$5.96		\$7.63		\$6.86		\$4.19	
Zoning	C-2, City of Phoenix	R-5 P-1 / School			C-2, Commercial / Office/Storage	0%	C-O, Commercial / Office	0%	S-R / Scottsdale / School	0%	R-5 / Phoenix / School	0%
ADJUSTMENT	N/A	0%			0%		0%		0%		0%	
ADJUSTMENT		\$0.00			\$0.00		\$0.00		\$0.00		\$0.00	
ADJUSTED SALE PRICE / S.F.		\$64.52			\$99.56		\$61.01		\$61.72		\$54.48	
		Mathematical Average: \$60.26 Per S.F.										
		Rounded to: \$673.382 Per S.F.										
		Per S.F. \$63.16										

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***Conclusion:***

The comparable sales provide unadjusted value indicators of \$41.91 to \$76.27 per square foot. After making adjustments for all of the appropriate elements of comparison, the adjusted price range from the comparable sales is \$54.48 to \$61.72 per square foot. The mathematical average is \$60.26 per square foot. Equal weight is given to each sale.

Based on the foregoing data and analysis, it is our opinion that the “as is” market value of the subject property is \$670,000, or \$63.16 per square foot, as calculated below:

$$\begin{aligned} 11,075 \text{ Square Feet} \times \$60.26 \text{ per square foot} &= \$667,382 \\ \text{Rounded To: } &\$670,000, \text{ or } \$63.16 \text{ per square foot} \end{aligned}$$

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
PROPERTY AS OF MARCH 24, 2016 ..... \$670,000**

***EXPOSURE TIME***

Marketing times for the comparable sales and listings are as follows:

<u><b>SALE</b></u>	<u><b>MARKETING TIME</b></u>
1	16 Days
2	374 Days
3	329 Days
4	Direct Sale
5	369 Days

Based on the foregoing, exposure time for the subject is estimated at 12 months or less.

---

CERTIFICATE OF APPRAISER

Project Number: H555103R

Parcel Number: L-C-007

Highway: Statewide Excess Holdings

I hereby certify:

That I have given consideration to the value of the property, the damages and benefits to the remainder, if any; and accept no liability for matters of title or survey. That, to the best of my knowledge and belief, the statements contained in said appraisal are true and the opinions, as expressed therein, are based upon correct information; subject to the limiting conditions therein set forth.

That no hidden or unapparent conditions of the property, subsoil, or structures were found or assumed to exist which would render the subject property more or less valuable; and I assume no responsibility for such conditions, or for engineering which might be required to discover such factors. That, unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present in the property, were not observed by myself or acknowledged by the owner. This appraiser, however, is not qualified to detect such substances, the presence of which may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

My analysis, opinion, and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

That this appraisal has further been made in conformity with the appropriate State and Federal laws, regulations, policies and procedures applicable to appraisal of right of way for such purposes; and that, to the best of my knowledge, no portion of the value assigned to such property consists of items which are non-compensable under the established laws of said State.

That I understand this appraisal will not be used in connection with acquisition of right of way for a highway to be constructed by the State of Arizona with the assistance of Federal aid highway funds or other Federal funds.

That neither my employment nor my compensation for making the appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in the property that is the subject of this report, or any benefit from the acquisition of the property appraised herein.

That I have not revealed the findings and result of such appraisal to anyone other than the property officials of the Arizona Department of Transportation or officials of the Federal Highway Administration, and I will not do so unless so authorized by property State

officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That I am Certified General Real Estate Appraiser #30130 in the State of Arizona and meet the requirements of A.R.S. 32-3603.

That my opinion of the MARKET VALUE of the subject property as of the 24<sup>th</sup> day of March, 2015, is based upon my independent appraisal and the exercise of my professional judgment is:

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 1, AS OF MARCH 24, 2016 ..... \$670,000**

*The above market value is equal to \$6.5 8 per square foot,  
based on a site size of 101,879.94 square feet*

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 2, AS OF MARCH 24, 2016..... \$670,000**

*The above market value is equal to \$63.16 per square foot of building*

Date: June 23, 2016



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CERTIFICATE OF APPRAISER

Project Number: H555103R  
Parcel Number: L-C-007  
Highway: Statewide Excess Land

I hereby certify:

That I personally inspected the property herein appraised, and that I have afforded the property owner the opportunity to accompany me at the time of inspection. I also made a personal field inspection of each comparable sale relied upon in making said appraisal. The subject and the comparable sales relied upon in making the appraisal were as represented by the photographs contained in the appraisal.

That I have given consideration to the value of the property, the damages and benefits to the remainder, if any; and accept no liability for matters of title or survey. That, to the best of my knowledge and belief, the statements contained in said appraisal are true and the opinions, as expressed therein, are based upon correct information; subject to the limiting conditions therein set forth.

That no hidden or unapparent conditions of the property, subsoil, or structures were found or assumed to exist which would render the subject property more or less valuable; and I assume no responsibility for such conditions, or for engineering which might be required to discover such factors. That, unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present in the property, were not observed by myself or acknowledged by the owner. This appraiser, however, is not qualified to detect such substances, the presence of which may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

My analysis, opinion, and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

That this appraisal has further been made in conformity with the appropriate State and Federal laws, regulations, policies and procedures applicable to appraisal of right of way for such purposes; and that, to the best of my knowledge, no portion of the value assigned to such property consists of items which are non-compensable under the established laws of said State.

That I understand this appraisal will not be used in connection with acquisition of right of way for a highway to be constructed by the State of Arizona with the assistance of Federal aid highway funds or other Federal funds.

That neither my employment nor my compensation for making the appraisal and report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in the property that is the subject of this report, or any benefit from the acquisition of the property appraised herein.

---

That I have not revealed the findings and result of such appraisal to anyone other than the property officials of the Arizona Department of Transportation or officials of the Federal Highway Administration, and I will not do so unless so authorized by property State officials, or until I am required to do so by due process of law, or until I am released from this obligation by having publicly testified as to such findings.

That I am Certified General Real Estate [REDACTED] in the State of Arizona and meet the requirements of A.R.S. 32-3603.

That my opinion of the MARKET VALUE of the subject property as of the 24<sup>th</sup> day of March, 2015, is based upon my independent appraisal and the exercise of my professional judgment is:

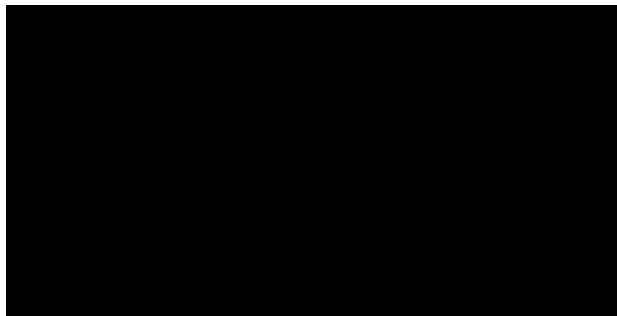
**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 1, AS OF MARCH 24, 2016 ..... \$670,000**

*The above market value is equal to \$6.58 per square foot,  
based on a site size of 101,879.94 square feet*

**“AS IS” MARKET VALUE OPINION FOR THE SUBJECT  
DISPOSAL AREA 2, AS OF MARCH 24, 2016..... \$670,000**

*The above market value is equal to \$63.16 per square foot of building area,  
based on a gross building area of 11,075 square feet.*

Date: June 23, 2016



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### ***CERTIFICATION***

THE APPRAISER CERTIFIES TO THE BEST OF MY KNOWLEDGE AND BELIEF:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

My compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, the Arizona Department of Transportation Appraisal Standards and Specifications and any governmental authorities referenced within the appraisal report.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the person(s) signing this certification, except as stated in the report.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives and to the requirements of the Arizona Board of Appraisal.

I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. The use of this report is subject to the requirements relating to review by its duly authorized representatives.

I hereby certify that I am competent to complete the appraisal assignment. The reader is referred to appraisers Statement of Qualifications.



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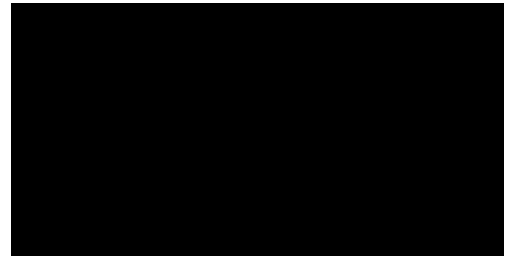
No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

The "Opinion of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

As of the date of this report, [REDACTED] has completed the continuing education program of the Appraisal Institute.

The Appraisal Assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Date: June 23, 2016



---

***CERTIFICATION***

THE APPRAISER CERTIFIES TO THE BEST OF MY KNOWLEDGE AND BELIEF:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.

I have performed no services as an appraiser or in any other capacity regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

My compensation is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, the Arizona Department of Transportation Appraisal Standards and Specifications and any governmental authorities referenced within the appraisal report.

I have made a personal inspection of the property that is the subject of this report.

No one provided significant professional assistance to the person(s) signing this certification, except as stated in the report.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives and to the requirements of the Arizona Board of Appraisal.

I certify that, to the best of my knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. The use of this report is subject to the requirements relating to review by its duly authorized representatives.

I hereby certify that I am competent to complete the appraisal assignment. The reader is referred to appraisers Statement of Qualifications.

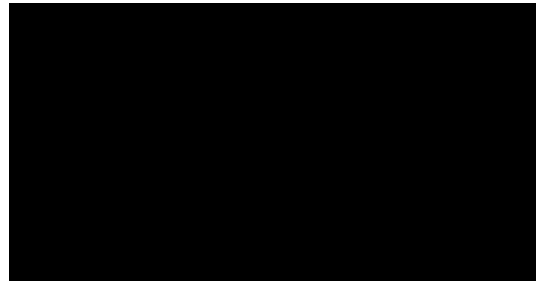
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No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

The "Opinion of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color, or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.

The Appraisal Assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

Date: June 23, 2016



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## ***QUALIFICATIONS OF*** [REDACTED]

### **FORMAL EDUCATION:**

Bachelor of Arts Degree with high honors, University of California,  
Santa Barbara, 1971

Master's Degree in Business Administration, University of California,  
Los Angeles, 1973. Concentration: Urban Land Economics

### **PROFESSIONAL EDUCATION:**

Successful Completion of Examinations for the following courses given by the  
Appraisal Institute:

"Real Estate Appraisal Principles" and "Basic Valuation Procedures"  
"Capitalization Theory & Techniques", Parts 1, 2, and 3  
"Case Studies in Real Estate Valuation"  
"Introduction to Real Estate Investments Analysis"  
"Litigation Valuation"  
"Standards of Professional Practice", Part A, B & C  
"Market Analysis"

Attendance at Numerous Educational Seminars:

### **PROFESSIONAL MEMBERSHIPS:**

Member, Appraisal Institute (MAI), Certification [REDACTED]. The institute conducts a voluntary program of continuing education for its designated members. MAI's and RM's who meet the minimum standards of this program are awarded periodic educational certification. As of this date, I have completed the requirements under the continuing education program of the Appraisal Institute. I am currently certified through December 31, 2017.

[REDACTED]

### **EXPERIENCE:**

Includes valuation of most types of urban real property: single and multi-family residential, commercial, industrial, and vacant land. Experience also includes special purpose properties, feasibility studies, leased fee and leasehold interest, counseling, and appraisal for condemnation since 1975.

### **ADDITIONAL EDUCATIONAL AND PROFESSIONAL ACTIVITY:**

Publication of articles in Professional Journals:

"A New Methodology for Estimating Highest and Best Use",  
*Real Estate Appraiser and Analyst*, Summer, 1987

---

“Estimating the Value of Proposed Developments by Discounting Cash Flow”, *Real Estate Review*, Summer, 1988

Formerly a Certified Instructor with the Appraisal Institute for “Highest and Best Use Applications”, “Feasibility Analysis and Highest and Best Use- Nonresidential Properties”, and “Principals and Procedures of Real Estate Appraisal”.

Associate Faculty, Pima Community College for “Real Estate Appraisal Principals” and “Basic Valuation Procedures”, 2000-2006

Instructor for Tucson Board of Realtors, American Bar Association, Brodsky School of Real Estate, and Hogan School of Real Estate

President of Southern Arizona Chapter #116, Appraisal Institute, 1983-84

President for the Arizona State Chapter #41, Appraisal Institute, 1990

Chairman, Pima County Real Estate Council, 2003-2004, Director 1989-2006.

APPROVED APPRAISER:

With most major commercial banks and mortgage companies in Arizona.

Arizona Certified General Real Estate Appraiser Number [REDACTED] Currently certified through August 31, 2018.

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***QUALIFICATIONS OF*** [REDACTED]

**EXPERIENCE:**

2004 to Present: [REDACTED]

Includes valuation of most types of urban real property: single and multi-family residential, commercial, industrial, and vacant land. Experience also includes special purpose properties, feasibility studies, leased fee and leasehold interest.

**FORMAL EDUCATION:**

Bachelor of Arts Degree, summa cum laud, National University, 1988

**PROFESSIONAL EDUCATION:**

Successful Completion of Examinations for the following courses given by the Appraisal Institute:

"Real Estate Appraisal Principles" and "Basic Valuation Procedures"

"Basic Income Capitalization"

"Advanced Sales Comparison & Cost Approaches"

"Market Analysis and Highest and Best Use"

"Uniform Standards of Professional Appraisal Practice"

Continuing Education Courses:

"Evaluating Commercial Construction"

"2007 CCIM Commercial Real Estate Market Forecast"

"Pima County Real Estate Council Forecast"

"AI Reports - The New Appraisal Report Option"

**PROFESSIONAL MEMBERSHIPS:**

Arizona Certified General Real Estate Appraiser Number [REDACTED]. Currently certified through January 31, 2018.

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# A D D E N D A

- |   |
|---|
| <ol style="list-style-type: none"><li>1. ADOT Letter of Engagement (Purchase Order)</li><li>2. Right of Way Disposal Report</li></ol> |
|---|



ARIZONA STATE CONTRACT  
CONTRACT RELEASE

Page 1 of 2

ProcureAZ Purchase Order No.: ADSP014-052973:49  
Organizational Reference No.: PO0000086470  
Issued: 03/09/2016

S H I P T O	Arizona Department of Transportation CARRIE DROST ARIZONA DEPARTMENT OF TRANSPORTATION 205 S 17TH AVE MD 612E RM 331 PHOENIX, AZ 85007-3212 US Email: CMCCURE@AZDOT.GOV (602) 712-7912
	MAIL INVOICE IN DUPLICATE TO: Arizona Department of Transportation CARRIE DROST ARIZONA DEPARTMENT OF TRANSPORTATION 205 S 17TH AVE MD 612E RM 331 PHOENIX, AZ 85007-3212 US Email: CMCCURE@AZDOT.GOV (602) 712-7912

Release Instructions:

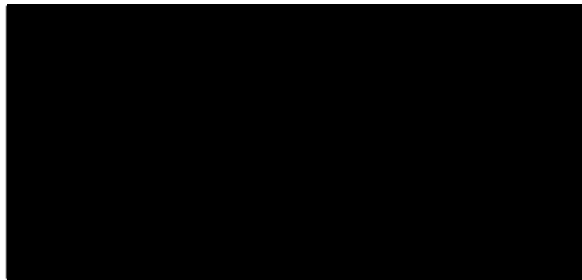
TERMS AND CONDITIONS set forth in our Bid, Quotation, or Purchase Order are incorporated herein by reference and become a part of this order.

Account Code: 2016-494511-4945-DT2030-DT2030-DT58000-6296-629904-ITD-CONST-H555103-R-4EVER-AR22-004-—-DTA				Payment Terms: Net 30		
				Shipping Terms: F.O.B.: Destination		
				Delivery Calendar Day(s) A.R.O.: 0		
Item	Description	Requisition	Quantity	Unit	Unit Price	Total
1	<p>Class-Item 946-15</p> <p>Complete an Appraisal in accordance with the Scope of Work provided in the Bid Request dated February 24, 2016.</p> <p>Parcel: L-4-007 Project: H555103R Highway: SQUAW PEAK HIGHWAY Section: 26th. Street - Shea Blvd.</p> <p>Five (5) copies and a CD of each appraisal must be delivered to Right-of-Way Operations Contracts Unit, 205 S. 17th. Avenue, Room 331, MD612E, Phoenix, AZ 85007 on or before 5:00 pm MST on April 21, 2016.</p> <p>Please indicate the assigned Purchase Order Number, also the Parcel Number, Project Number, Highway and Section on your invoice.</p> <p>Please direct your questions regarding this Appraisal to Jim Walcutt 520-591-7923</p> <p>The Appraiser is reminded that it is their responsibility to follow all instructions given under the "Special Instructions" section in the bid</p>		6000.00	EA	\$ 1.00	\$ 6,000.00

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ARIZONA STATE CONTRACT  
CONTRACT RELEASE

Page 2 of 2



TOTAL: \$ 6,000.00

Approved By: STEVE TROXEL

Phone No.: (602) 712-7053

ARIZONA DEPARTMENT OF TRANSPORTATION

RIGHT OF WAY GROUP

RIGHT OF WAY DISPOSAL REPORT

Project: RBA 600-2-607/ H2431 02R

Section: 26<sup>th</sup> Street-Shea Blvd

Excess Land: L-M-233

Parcel No: 7-5514; 7-6321

The undersigned has examined the title to the property described in EXHIBIT "A" and the FEE owner is:  
STATE OF ARIZONA by and through its Department of Transportation

Owner Address:  
205 S. 17<sup>th</sup> Ave, Mail Drop 612E, Phoenix, Arizona 85007

The undersigned has examined the title to the property described in EXHIBIT "A" and the Easement owner is:  
Not Applicable

Owner Address:  
Not Applicable

Please see the attached forms containing vesting information and the requirements required for this parcel to be disposed of:

SEE ATTACHED FORMS

SCHEDULE A-1:

SEE EXHIBIT "A" ATTACHED

REMARKS:

ADOT records only searched  
Schedule B items not searched at this time

Search Date: January 11, 2016

Examiner: Shirley Sealey

Reviewer:

Assessor's #: 165-22-093

County: Maricopa

POLICY PAGE 1

(LTAA STANDARD COVERAGE POLICY)

4-06-42  
Jd 5-17-89

SCHEDULE A

JUN 07 1989

Policy Amount \$3,031,500.00

Policy No. 06027752-A

Policy Date: May 15, 1989 at Fee No. 89-220866

INSURED

STATE OF ARIZONA BY AND THROUGH ITS DEPARTMENT OF TRANSPORTATION

1. Title to the estate or interest covered by this policy at the date hereof is vested in:

STATE OF ARIZONA BY AND THROUGH ITS DEPARTMENT OF TRANSPORTATION

2. The estate or interest in the land described or referred to in this schedule covered by this Policy is a fee.

3. The land referred to in this policy is located in Maricopa County, Arizona, and is described as follows:

Tract "A", and lots 1 through 6 inclusive, PARADISE GARDENS, according to Book 77 of Maps, page 2, records of Maricopa County, Arizona.

PROJECT NO. 600-2-701/H084101R  
PARCEL NO. 7-5514

SCHEDULE B (Continued)

Part II

(All recording data refer to records in the office of the County Recorder of the County in which the land is situated.)

1. RESTRICTIONS, CONDITIONS and REGULATIONS governing use of groundwater by reason of the inclusion of said land within Phoenix Active Management Area, pursuant to ARS 45-101 et seq.
2. TAXES AND ASSESSMENTS collectible by the County Treasurer not yet due and payable for the following year:

Year	1989
------	------

3. EASEMENTS as shown on the recorded plat of said subdivision.
4. EASEMENTS and rights incident thereto, as set forth in instrument:

Recorded in Docket	13154
Page	448
Purpose	Electric Lines
Affects	Tract A

END OF SCHEDULE B PART II

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SCHEDULE A

POLICY NUMBER: J803 011548

ORDER NO. 15887089

DATE OF POLICY: August 7, 1989  
AT: 4:00 P.M.

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AMOUNT OF INSURANCE: \$141,000.00

PREMIUM : \$424.12

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1. Name of the insured:

STATE OF ARIZONA, by and through its DEPARTMENT OF TRANSPORTATION

2. The estate or interest in the land described or referred to in this schedule covered by this policy is a fee, vested in:

STATE OF ARIZONA, by and through its DEPARTMENT OF TRANSPORTATION

3. The land referred to in this policy is located in the County of Maricopa, State of Arizona and described as follows:

Lot 93, PARADISE GARDENS, according to Book 77 of Maps, Page 2, records of Maricopa County, Arizona.

Tax Parcel No. : 165-22-052  
Project No. : 600-2-701/51 MA 000 H084101R  
Parcel No. : 7-6321

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SCHEDULE B

This policy does not insure against loss or damage, nor against costs, attorneys fees or expenses, any or all of which arise by reason of the following:

Part I

All matters set forth in paragraph numbered 1 (one) to 11 (eleven) inclusive on the inside cover of this policy under the heading of Schedule B, Part I.

Part II

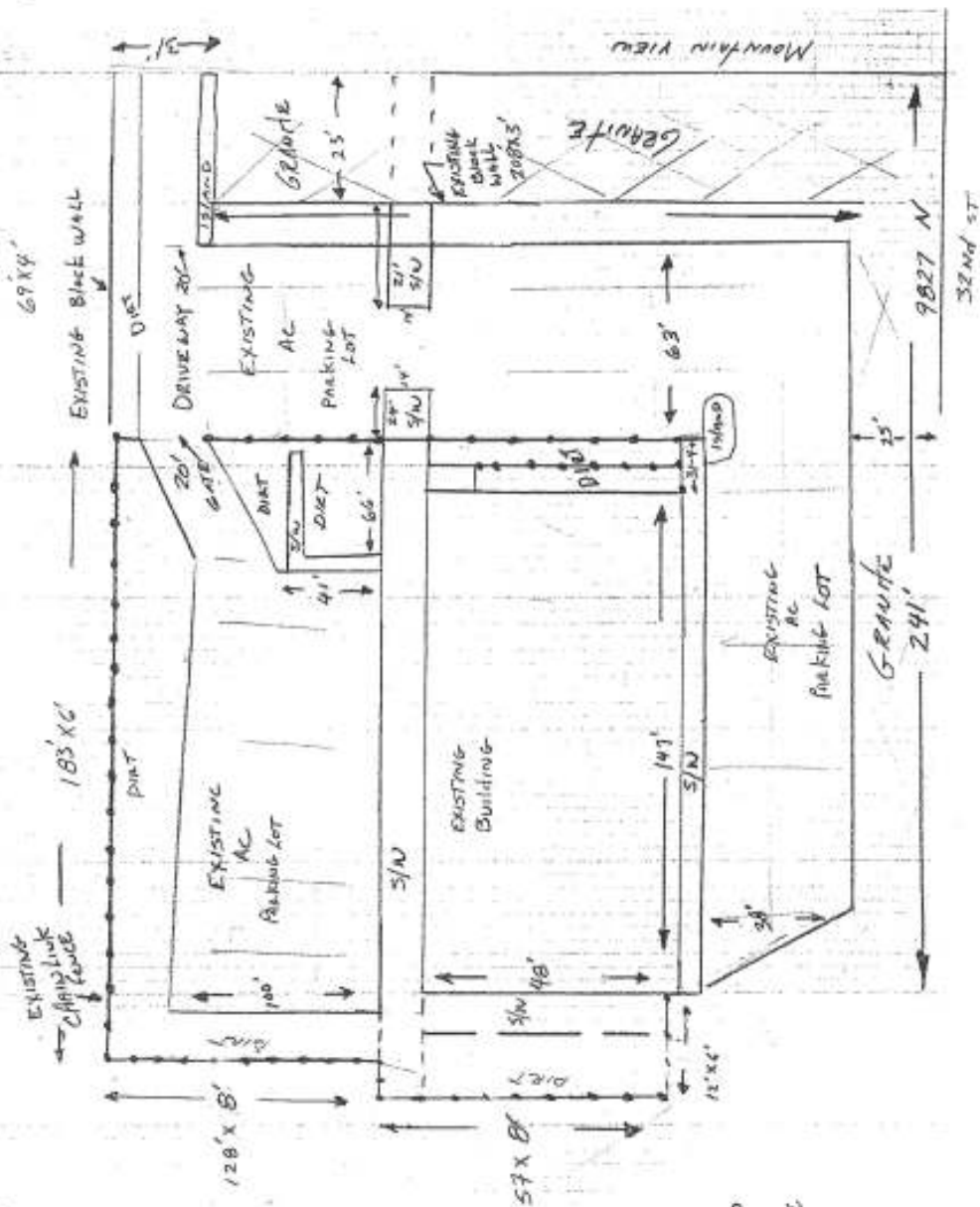
1. 1989 taxes, a lien, but not yet due and payable.
2. Restrictions, conditions and covenants recorded in Docket 2470, page 578 and in Docket 2714, page 262, but omitting, if any, restrictions based on race, color, religion or national origin.
3. Any action that may be taken by the Arizona Department of Transportation to acquire right of way and access of State Highway as disclosed by Resolution recorded in Document No. 87390456.

End of Schedule B Part II.





# Scottsdale Christian Academy



9-27-99  
JOSE CAMACHO  
NOT TO SCALE  
SQUAW PEAK  
7743